R.C.C. No. 75

RAILWAY CONVENTION COMMITTEE (1991)

(TENTH LOK SABHA)

FOURTH REPORT

ON

SYSTEM OF RAILWAY PURCHASES AND CONTRACTS; ACQUISITION OF STORES AND PRINTING; DISPOSAL OF SCRAP; COAL AND COAL-ASH

Presented in Lok Sabha on 26.08.1993

Laid in Rajya Sabha on 26.08.1993

LOK SABHA SECRETARIAT
NEW DELHI

August, 1993/Bhadra 1915 (S)

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CORRIGENDA

Fourth Report of Railway Convention Committee (1991) on 'System of Railway Purchases and Contracts, Acquisition of Stores and Printing; Disposal of Scrap; Coal and Coal-ash'.

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RAILWAY CONVENTION COMMITTEE
(1991)

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@ Shri Pramod Mahajan, M.P. renominated on 21 July, 1992.

INTRODUCTION

I, the Chairman of Railway Convention Committee (1991) having been authorised by the Committee to submit the Report on their behalf, present this Fourth Report on the subject of 'System of Railway Purchases and Contracts; Acquisition of Stores and Printing; Disposal of Scrap; Coal and Coal-Ash'.

2. The Committee took evidence of the representatives of the Ministry of Railways (Railway Board) on the 27th August, 1992. The Report was considered and adopted by the Committee at their sitting held on 19th August, 1993. The Minutes of the sittings of the Committee form Part-II* of the Report.

3. The Committee wish to express their thanks to the officers of the Ministry of Railways for placing before them the detailed written notes on the subject and for furnishing whatever information they desired in connection with the examination of the subject. The Committee also appreciate the frankness with which the officials/representatives shared their views, perception and constraints with the Committee.

4. For facility and reference, the observations and recommendations have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix VI to the Report.

NEW DELHI;
August 26, 1993
Bhadra 4, 1915 (S)

M. BAGA REDDY,
Chairman,
Railway Convention Committee.

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* Not printed. A copy laid on the Table of both the Houses of Parliament and five copies placed in Parliament Library.

CHAPTER I

INTRODUCTORY

Materials Management is an integral part of performance, safety, efficiency as well as productivity. It has, therefore, a very important role to play in ensuring economy in operations of Indian Railways by proper control on materials, planning, procurement, stocking, distribution and disposal.

1.2 The guiding factor contributing to the successful operation of the Indian Railways is the timely procurement and adequate supply of innumerable items like components, spares, raw materials, plant and machinery, track material, modern signalling and telecommunication system, fuel on one hand and various other items like stationery, uniforms, crockery, cutlery, paints, varnishes, rubber items etc. on the other. The range covers a broad spectrum of items procured from within the country and abroad through different agencies.

1.3 With the progressive modernisation in the Indian Railways, including introduction of diesel and electric traction, introduction of new types of coaches and wagons, installation of sophisticated signalling and electronic equipments etc., there has been considerable increase in the number of inventory items and consequently in the problems associated with procurement and inventory control. The environment of inherent materials shortages and market conditions in a developing economy have aggravated these problems. Hence, material planning has come to occupy an important role.

1.4 The whole process of procurement of stores and inventory control needs rationalisation and streamlining. Lack of adequate number of sources with reliability of supplies, especially for higher sophisticated items required for Rolling Stock, Signalling and Telecom etc. also needs greater attention. Similarly, where there are no adequate capacity in the country, import has to be resorted to as a made which has inbuilt necessity of holding larger buffer stocks to ensure uninterrupted supply of stores to Railways.

1.5 Due to increased activity on diesel and electric traction, demand for electric and diesel loco components has gone up. Manufacture of these sophisticated components essentially requires technology which is ordinarily not available in most cases. Installation of new manufacturing units will require heavy investment, in addition to investment in subsequent R&D activities in this field. All these investments are not readily available with us. Proper infrastructure and quality raw material, which are necessary inputs too, are not easily available.

1.6 Material planning in Indian Railways is done on the basis of assessment made by the zonal railways and production units for their yearly requirement. After decreased activities of steam traction and increase of electric and diesel traction, the requirement of electric and diesel loco spares has increased manifold. Electric and diesel loco spares are of sophisticated nature for which comparatively few manufacturers are available. As the lead time of manufacture is rather long, supply of items gets usually delayed and it forces the railways to keep high buffer stock, resulting in higher inventory. To overcome this problem, efforts are being made by the Railways for development of more and more sources of supply.

1.7 In order to ensure uninterrupted supply of stores for operations, maintenance and in-house manufacturing activities, the zonal railways, production units and construction projects have 206 stocking stores depots spread over the length and breadth of the country. These depots stock over 2.8 lakh items, comprising of over 1,00,000 unique items stocked in more than one location, the ensure timely availability of essential items for efficient operation of railways with minimum locking capital.

1.8 The value of purchases made by the Indian Railways during the last seven years, *vis-a-vis* the total expenditure are tabulated below:—

(in Rs. crores)

Year	Expenditure (including capital outlay)	Purchases	Purchases as % of total expenditure
1983-84	5,315	2053	37
1984-85	6,031	2182	36
1985-86	6,824	2717	40
1986-87	8,465	3235	38
1987-88	9,408	3332	35
1988-89	10,356	4311	42
1989-90	11,960	4676	39
1990-91	13,089	5189	40
1991-92	N.A.	6213	N.A.

CHAPTER II

SYSTEM OF RAILWAY PURCHASES AND CONTRACTS

Agencies of procurement

2.1 There are three main procuring agencies for Indian Railways—Stores Departments on Zonal Railways/Production Units, Railway Board and DGS&D.

2.2 The purchases made through these agencies during the previous years are indicated below:—

(in Rs. crores)

Year	By Railways and Prod. Units	By the Board	By DGS&D	Total
1981-82	803(46%)	472(27%)	472(27%)	1747
1982-83	906(47%)	598(31%)	424(22%)	1928
1983-84	883(43%)	677(33%)	493(24%)	2053
1984-85	938(43%)	742(34%)	502(23%)	2182
1985-86	1250(46%)	869(32%)	598(22%)	2717
1986-87	1520(47%)	1068(33%)	647(20%)	3235
1987-88	1666(50%)	1033(31%)	633(19%)	3332
1988-89	2112(49%)	1552(36%)	647(15%)	4311
1989-90	2478(53%)	1450(31%)	748(16%)	4676
1990-91	2792(54%)	1457(28%)	940(18%)	5189
1991-92	3044(49%)	2113(34%)	1056(17%)	6213

2.3 The Ministry of Railways, in their Memorandum furnished to the Committee, submitted the following:

"The Stores Directorate of Railway Board makes procurement of Rolling Stock and certain specified important items from trade, both from indigenous and imported sources. These include:—

(a) Wheels,Tyres and Axles;
(b) Steel;
(c) Rolling Stock consisting of wagons, coaches and locomotives etc.
(d) Signalling Relays, cables etc.
(e) Train lighting batteries, lamps and fans etc.
(f) Wagon components such as bearings, springs, bogies, air brakes etc."

It has further been stated:—

"Procurement of items involving technology transfer are also being handled by the Stores Directorate in Railway Board. Railway and Production Units make direct procurement of all stores items

which are not being either procured by the Railway Board or DGS&D.

Track fittings and coal on the Railways and track materials, track machinery, telecommunication equipments etc. in the Railway Board are being procured directly by the user Departments."

Organisational set-up

2.4 As regards organisational set-up to deal with purchases and stores, the Ministry of Railways in their Memorandum submitted to the Committee, stated as follows:—

"The Stores Department at the Railway Board level is headed by Adviser (Stores), functioning under Member Mechanical, who is incharge of all Material Management activities of the Railways. At the Zonal railway level, the Stores Department is headed by Controller of Stores, who reports to General Manager of the Railway, and is assisted by various officers down the line for performing the integrated functions like purchasing, stocking and distribution for all items other than permanent way items required by the Railway and also disposal of scrap."

2.5 When the Committee wanted to know the details above 'various other officers down the line', who have a role in the procurement of stores in Railways, the Ministry of Railways stated as follows:—

"The other Officers who assist controller of Stores can be broadly grouped under three categories:—

(i) Depot Management—Involving receipt, inspection, accountal, custody and issue/distribution of stores to various consignees, Some of the Depots also deal with disposal of scrap. These functions are performed by one of more of the following categories of officers depending upon the size and importance of the Depot.

(1) Dy. Controller of Stores.
(2) Distt. Controller of Stores.
(3) Asstt. Controller of Stores.

(ii) Centralised procurement and other functions of Materials Management and administrative and policy matters as well as overall administration of the Depots.

(1) Chief Materials Manager.
(2) Dy. Controller of Stores.
(3) Senior Stores Officers.
(4) Assistant Controller of Stores.

The purchase functions, wherever performed by the above officers, are limited to the purchase powers delegated to each of

them. Some of the Chief Materials Managers/Dy. Controller of Stores assist the Controller of Stores in regard to administrative and policy matters.

(iii) In addition to the above, the Controller of Stores is also assisted by the Divisional Controller of Stores, posted on the Divisions to coordinate with the various consuming branches of the Division, with the feeding depots and purchase offices to ensure timely availability of items required by the Division, including making limited cash purchase to tide over emergencies."

Delegation of Financial Powers

2.6 Further, the Committee enquired about the financial powers as delegated by the Ministry to these officers.

The Railway Board, in their reply submitted:—

"The financial powers as delegated presently in respect of acceptance of tenders of the various officers in the Zonal Headquarters are as follows:—

1. Assistant Controller of Stores	:	Rs. 25000/-
2. Senior Stores Officer	:	Rs. 25001/- to Rs. 75000/-
3. Dy. Controller of Stores	:	Rs. 75001/- to Rs. 5 lakhs
4. Chief Materials Manager	:	Rs. 5 lakhs to Rs. 50 lakhs
5. Controller of Stores	:	Rs. 50 lakhs to Rs. 1 crore
Item Nos. 3 to 5 : Note	:	All tenders above Rs. 2 lakhs are finalised based on the recommendations of the Tender Committee."

They further submitted:—

"As far as the Officer Incharge of various depots and Divisional Controllers of Stores are concerned they have been delegated local purchase powers upto Rs. 10,000/- in each case to purchase small value items or items in short supply to ensure smooth operation of the Railways."

Role of Stores Directorate

2.7 The Committee pointed out that Railway Board have stated that procurement of items involving technology transfer are also being handled by the Stores Directorate in Railway Board and wanted to know the role/ function of the Stores Directorate in the Railway Board.

In reply, the Ministry stated as follows:—

"Coming to the role of Stores Directorate in procurement involving technology transfer, the details are given below:—

(a) The factors which come into play in arriving a decision to import a new technology have been explained in more details against the queries raised in Point No.7 of the main questionnaire.

(b) In almost all the cases of technology transfer foreign manufactures prefer a composite contract for supply of a limited number of equipments/rolling stock alongwith the transfer of technology. That means a typical tender for technology transfer may envisage (a) initial supply, (b) training of Indian personnel, (c) part supply in completely knocked down condition and assembly by Indian personnel under the expert guidance and supervision of the foreign collaborator followed by, (d) stage manufacture in India as also, (e) the assistance to the IR for vendor development in India for assemblies and sub-assemblies for progressive indigenisation.

(c) The Stores Directorate of the Board has to play its role in coming to a correct purchase decision and for making a realistic assessment of timeframe of potential indigenous development with the help of the foreign collaborator. The Officer of the Stores Directorate are equipped to assist in these commercial and contractual matters which are an important part of purch-ase-cum-TOT agreements."

Upgradation of the post of Adviser (Stores)

2.8 During evidence, the Committee enquired if, in view of the fact that the purchases at Board level are steadily increasing every year and in view of the increased supervision over the Zonal Railway purchases, do the Railways find any need to upgrade the post of Adviser (Stores).

In reply, the Ministry of Railways stated as follows:—

"The question of having a post of Member (Stores), Railway Board, has been considered by the Railway Ministry from time to time. On the recommendation contained in 25th Report of Estimates Committee regarding Railway Purchases on this issue, the reply of the Government, issued in May'88 with the approval of Minister of State for Railways was as under:—

> "Railway Board at present consists of the Chairman, the Financial Commissioner and 5 other Members *viz.*, Member (Traffic), Member (Staff), Member (Mechanical), Member (Engineering) and Member (Electrical).
>
> The post of Member (Electrical) has been created only recently thus relieving Member (Mechanical) to a certain extent to enable him to devote more attention to Mechanical and Stores functions. Hence, at this stage, it is not considered necessary to induct an additional Board Member. After studying

the Board functioning for a few years if further strengthening is considered necessary, this aspect will be kept in view."

The Railway Board further added:—

"During discussion on Railway Budget 1990-91, points were raised on this issue and Minister for Railways replied as under:—

"The Stores Department is under the charge of Member (Mechanical) who is assisted by Adviser (Stores). In this arrangement, the requirements of Stores Department are well taken care of. The Railway Board, at present, consists of seven Members *viz.*, Chairman, Financial Commissioner and five other Members. Any further enlargement of the Board would make it unwieldy and this may affect its cohesiveness."

Issue of Policy guidelines on Purchase

2.9 The Ministry of Railways, in their Memorandum furnished to the Committee stated as follows:—

"Ministry of Railways issued from time to time policy guidelines on purchases and in respect of financial powers delegated at various levels on the Railways The contracts are governed by Indian Railways Standard conditions of contract ensuring thereby a uniformity in term and conditions and common safeguards. Except for the centralised items procured through DGS&D and Railway Board, the General Managers of the Zonal Railways and Production Units have been given full powers in the matter of purchases. Purchases valued over Rs. 5 crores in case of indigenous purchase and over Rs. 2 crores in case of purchase involving foreign exchange, however, require the approval of Ministry of Railways before entering into commitment. Purchase powers permit the Railways even to buy centralised items under emergent circumstances."

2.10 The Ministry of Railways have stated that for purchases valued over Rs. 5 crores in case of indigenous purchase and over Rs. 2 crores in case of purchase involving foreign exchange, however, require the approval of Ministry of Railways before entering into commitment. The Committee asked when the financial limit was imposed and how many purchase contracts involving foreign exchange were received for approval in Railway Board.

The Ministry of Railways stated as follows :—

"The powers to award contract valued upto Rs. 5 crores not involving foreign exchange and upto Rs. 2 crores involving foreign exchange were delegated to the General Managers of Zonal Railways/Production Units in April, 1987 and October, 1983 respectively.

During the year 1991-92, 12 purchase proposals involving foreign exchange, each valued over Rs. 2 crores were received in Stores

Directorate of Board's Office for approval of the competent authority."

Modes of purchase

2.11 The purchase in the Railways is done through different types of tenders *i.e.* Open Tenders, Limited Tender or Single Tender depending upon the value and types of items.

The Tender System

2.12 The Committee asked about the criteria for selecting a particular type of tender.

The Ministry stated:—

"The open tender system, which is also called an Advertised Tender System, is adopted for high value items (at present above Rs. 2 lakhs). The tenders are advertised in selected Newspapers as well as Indian Trade Journal.

Limited Tender System is adopted for such items where the value of procurement does not justify the expenses involved in following advertised tender system. Presently items valued upto Rs. 2 lakhs are procured through Limited Tender System. In this system tenders are sent by post to firms borne on the approved list of suppliers. Limited Tender System is also generally adopted for procurement valued even above Rs. 2 lakhs in case of safety items and sophisticated Diesel/electric Loco spares etc. which have to be purchased from approved sources only due to stricter quality control required.

Single Tender System is adopted normally in those cases (i) where items involved are of proprietary nature and there is no other known source of supply, (ii) low value items in emergencies etc., (iii) very specialized items which are made in India by only one manufacturer, (iv) certain nominated items where the Government policy requires purchase to be finalized only from given agencies, *e.g.*

(a) KVIC

(b) NTC

(c) ACASH

(d) Super Bazar/Kendriya Bhandar."

2.13 Asked to state the monetary limit for purchase through different types of tender, the Railway Board replied as follows:—

"The monetary limits for the estimated value of purchases through Single, Limited and Open Tenders in the normal course, are as under :—

(i) Single Tender :	(a) Proprietary Articles	No limit provided it can be certified that a similar article which could be used in lieu is not manufactured/sold by any other firm.
	(b) Non-proprietary Articles	Upto Rs. 10,000
(ii) Limited Tender:	Upto Rs. 2 lakhs (except in the case of safety items)	
(iii) Open Tender:	Above Rs. 2 lakhs.	

Safety items to be purchased from only approved sources, can be procured through limited tenders, even though the value exceeds Rs. 2 lakhs. For this purpose safety items are to be so categorized, as a policy measure."

2.14 The Committee asked to submit the break-up of tenders invited under the three categories during the last 3 years. The Railway Board furnished the following figures:—

Year	Tender Called		
	Open Tender	Limited Tender	Single Tender
1989-90	8844	167507	7580
1990-91	8650	156208	9161
1991-92	9947	159953	9249

2.15 The Committee pointed out that it was a matter of common knowledge that suppliers form a ring in Limited Tender purchase; charge monopolistic prices and shut out new manufacturers. In view of such an eventuality, they enquired whether any precautionary measures had been taken in this regard.

The Ministry of Railways stated as follows:—

"Although it is considered that the purchase of an item costing below Rs. 2 lakhs does not justify expenditure in advertising in newspapers, the preferred method of limited tender is to include the item in 'Weekly Stores Bulletin' which is posted to all the approved suppliers with the instructions that each vendor is expected to quote for items of trade group for which he is registered with the Railway. Since the

circulation of this bulletin is very wide, the chances of ring formation are effectively reduced.

For safety items, the tenders are generally issued to all the manufacturers approved by RDSO or Production Units.

Where high prices are suspected due to ring formation, negotiations are held to bring down the prices."

2.16 As the Ministry of Railways have stated that Single Tender System is adopted normally in those cases (i) where items involved are of proprietary nature and there is no other known source of supply, (ii) low value items in emergencies etc., or (iii) very specialized items which are made in India by only one manufacturer, the Committee wanted to know if any list of items had been prepared which were to be procured only on proprietary basis.

The Ministry of Railways stated:—

"Keeping in view the general guidelines issued from Railway Board Office, the decision to buy an item on the strength of the proprietary article certifications rests with the Zonal Railway Administration. However, Railway Board has also recognised the need for buying spares for the following critical equipments, as proprietary articles:

(i) MICO Fuel Injection equipments for Diesel Locomotives.

(ii) DJ Circuit Breakers for Electric Locomotives.

(iii) Pantographs.

(iv) Tap Changers for Electric Locomotives.

2.17 When asked about the precautionary measures taken to do away with the middle-men at the time of procurement of stores from various parties/manufacturers, the Railway Board stated:—

"The items to be manufactured to the Railways' drawings or specifications are purchased from the manufacturers as far as possible. However, procurement of certain general items and tools etc. from traders (middle-men), including authorised stockists of original manufacturers cannot be avoided."

2.18 The Committee further asked, if it had come to the notice of Railway Board that one Zonal Railway was procuring an item on proprietary basis and another Zonal Railway was purchasing the same item at a much lower rate through competitive bidding and if so, what measures did the Railways suggest to obviate such a situation, the Railway Board in their reply submitted:—

"In an environment of decentralised functioning of field executives in a large organisation like Railways, some variations are likely to occur. Moreover, some time it happens that one executive takes risk in buying spares from a vendor who is not proven, whereas the other

does not do so. Situation is however self correcting, based on the dissemination of knowledge based on the success and failure of such local experimentation."

2.19 The Committee have usually seen that after the technical bids are examined and tenders are short-listed, price negotiations are held in some cases. They, therefore, desired to know why lowest bidder was not allotted the work and whether there have been instances where after opening of price bid, the Tender Committee reverted to technical examination. In reply, the Ministry of Railways stated as follows:—

> "In deciding a tender, various aspects like technical suitability of offer, capacity/capability of the tenderer, delivery requirements, past performance etc. are required to be taken into account apart from the price quoted by the tenderer. Therefore, the lowest bidder cannot be awarded the contract as a matter of routine in all cases.
>
> Normally technical scrutiny is completed before opening the price bid when the two stage bidding procedure is adopted, and the need for reviewing the technical examination after opening the price should not normally arise, although there cannot be any bar against such a re-examination, should fresh technical points arise."

2.20 The Committee wanted to know further about the total number of tenders negotiated and awarded during the last five years. In reply, the Ministry of Railways stated as under:—

> "A total of 11,784 tenders were awarded during last five years on the basis of negotiations which constitutes 17.5 per cent of the total contracts totalling to 67,426 during the above-said period on all Railways.
>
> The Ministry added:
>
> Ministry of Railways have issued detailed instructions/guidelines in regard to:—
>
> (i) Situations in which negotiations are to be conducted; and
>
> (ii) Procedure for conducting negotiations."

In this regard copies of Railway Board's letter *No. 67/W.I/CT/32 dated 25.5.1968, No. 73/W.2/CT/15 dated 15.3.1974 and No. 77/W.I/CT/2 dated 29.4.1977* are in Appendices I and II.

2.21 It was pointed out that according to Railway Board the purchases are made by the Zonal Railways and Production Units direct except for some of the centralised items which are purchased through Railway Board and DGS&D. The Committee enquired whether it had come to the notice of Railway Board that under this system, sometimes different Zonal Railways had to pay different prices for the same item and if so, what steps were proposed to be taken to avoid such situations.

The Ministry in their reply submitted:—

"No glaring case of price variation has come to the notice of the Railway Board. However, some variation in the purchase rate of an item in different Zonal Railways is inherent in the system since the rate would depend on the market conditions, terms, cost of financing at that time etc."

Regionalisation of purchase

2.22 The Committee asked the Ministry of Railways if the Railway Board ever thought of regionalisation of Railway Purchase by constituting a Committee with headquarters at the four Metropolitan cities in India to ensure better availability of stores at competitive prices, in reply, the Railway Board stated as follows:—

"There are already two responsibility centres for purchases made by Railway *viz.* Railway Board and Zonal Railways/ Production Units. Introduction of one more responsibility centre is not going to give advantages. However, from time to time item-wise centralisation has been done to derive full benefits. Examples are:—

(i) Casserole for catering requirements on Northern Railway.

(ii) Spares for accident rescue device on Northern Railway.

(iii) Spares for 140 T Gottwald cranes on Eastern Railway.

(iv) Spares for 140 T Jessop Crane on Eastern Railway.

(v) Imported Diesel Loco spares on DLW.

(vi) Imported Electric Loco Spares on CLW."

Repeat orders

2.23 The Committee pointed out that the Ministry of Railways had given full purchase powers to General Manager of Production Units of Zonal Railways upto a limit of Rs. 5 crores for indigenous items and Rs. 2 crores for imported stores. The Committee asked the Ministry whether any of the Zonal Railways had placed orders for the same item more than once after some interval to avoid approval of Railway Board and whether any such case had come to their notice.

In their reply, the Ministry of Railways stated:—

"All high value purchases are initiated with the approval of the Controllers of Stores and after the quantity has been vetted by the Finance, based on standard methods of working out the requirements. Intentional splitting of the demand is specifically forbidden as per code para 700-(S) which defines the powers for direct purchases of DGS&D items.

No such case has come to the notice of the Railway Board. CAG have also not pointed out this type of irregularity in their Audit Report."

2.24 The Committee desired to know the details of these 'high value items'. In reply, the Ministry of Railways stated:—

"The phrase high value purchases has been used in the context of high consumption items i.e. based on value of total annual consumption. Such high value items are dealt with by sufficiently senior officers. Purchases costing over Rs. 50 lakhs are dealt with by COS of Zonal Railways/Production Units."

2.25 Para 706(S) of Indian Railway code for the Stores Department 1990 defines the powers for direct purchases of DGS&D items. The Committee wanted to know the position about the purchases made by Railways directly. In reply, the Ministry of Railways stated as follows:—

"The principles that demand is not to be split intentionally for bringing it within one's powers applies equally to other cases as well."

2.26 The Committee further asked about the policy guidelines in this regard. The Ministry in their reply submitted:—

"Normally placement of Repeat Orders are avoided. However, if it becomes necessary to place repeat order the same is placed as per policy laid down in Paras 442-443 of Indian Railway Code for the Stores Department, 1990, extracts reproduced below:—

442. Repeat Orders—where materials are required during a contract period in excess of the quantities contracted for, and such excess is not sufficiently large to justify the invitation of fresh tenders there is no objection to the quantities outstanding under the existing contract, if any being increased suitably, provided that as result of negotiations, more favourable terms are secured for the purchase then would have been possible by the invitation of fresh tenders.

443. No repeat orders are ordinarily to be placed on previously accepted rates obtained on Limited or Single Tenders."

Emergency Purchase

2.27 The Committee pointed out that in their Memorandum, the Ministry of Railways had stated that the purchase powers permitted the Indian Railways to buy centralised items under 'emergent circumstances' only. Asked whether any guidelines had been issued for deciding such 'emergent circumstances', the Railway Board stated as follows:

"(a) Existing guidelines in regard to the emergency purchases are given in the Stores Code Paras 706-S & 707-S, reproduced below:

706. Direct Purchase of Directorate General of Supplies and Disposal items. Except in respect of items of stores for which the Directorate General of Supplies & Disposals has entered into Rate or Running Contracts, the Controllers of Stores may not use the agency of the Directorate General of Supplies & Disposals for any purchase up to Rs. 1 lakh and under in each case. In emergencies where non-acquisition of the article concerned is likely to hold up work, purchases limited to the quantity required to tide over the emergencies may be made, the Controllers of Stores exercising these powers upto the limit of Rs. 25 lakhs for each item. In respect of purchases exceeding Rs. 25 lakhs but not exceeding Rs. 5 crores, sanction of the General Manager should be obtained. The Controller of Stores will also decide when for what quantity and in what manner such emergency purchases shall be made.

Note-1 The limit of Rs. 1 lakh mentioned above for direct purchase applies to each case or to each tender containing similar or inter-connected articles purchased at any one time and individual demands should not be intentionally split up to come within the limit mentioned above *viz.* Rs. 1 lakh.

2. All purchases made by the indentors direct, in terms of the above, the value of which exceeds Rs. 2,000/- should be notified in the Indian Trade Journal with full particulars, name of the Stores, date of purchases, quantity, price paid, name of suppliers and whether the stores is imported or indigenous and in the latter case whether cottage and small scale industry product. This may be done in the form used by the Directorate General of Supplies & Disposals. Further, total value of all direct purchases upto Rs. 2,000/- which are not published in the Indian Trade Journal, should be reported to the Directorate General of Supplies and Disposals quarterly in regard to purchases made during the preceding quarter beginning with quarter ending 30th September, 1958. The total value should exclude purchases of special items like foodgrains, coal etc. which are not normally purchased through the Central Purchase Organisation.

707. In respect of items of stores which are normally purchased through the Directorate General of Supplies & Disposals and which are covered by Rate or Running Contracts of that Department, the Controller of Stores may, at his discretion, make direct purchases upto limit of Rs. 10,000/- in each case and not exceeding Rs. 50,000/- in the aggregate in each case in any one year if the stores are urgently required or can be more conveniently obtained locally or from a nearer station. In emergencies, the same powers as shown in para 706-S may be exercised.

2.28 When asked about the reasons for not keeping separated, the information relating to the amount spent on purchases made under

emergent circumstances and the total amount spent anually under this head, the Ministry replied:—

> "Emergency purchases are made by the Railways/Production Units as and when found warranted. There is no system of centralising the information relating to the amount expanded on such purchases. What is centrally recorded is the total value of purchases including emergency purchases made in a particular financial year on each of the Zonal Railways/Production Units.
>
> Since the decision as to the quantity which is needed to tide over the emergency is left to the executive without the benefit of any scrutiny by associated finance, it is expected that the Controller of Stores and his senior officers would take a conservative and responsible view, both as regards the quantity and reasonable rate."

2.29 The Committee also enquired if the Ministry of Railways had ever compared the prices paid by these Zonal Railways/Production Units *vis-a-vis* the price fixed by DGS&D and if so, whether any variation had come to their notice. In reply, the Railway Board submitted as follows:—

> "Since the emergency purchases are made by the Zonal Railways/ Production Units under their powers of purchase, these are not referred to the Ministry of Railways. However, the purchase officers keep in view the last purchase price of DGS&D or Railway Board alongwith other relevant factors such as current market trend and state of urgency i.e. to say the repurcussions of non-availability of material on operations, loading etc., while finalising the emergency purchase."

2.30 On being asked to state the extent of financial powers delegated to the purchase officers of Zonal Railways/Production Units to procure items under 'emergency purchase', the Ministry stated:—

> "Railways and PUs are allowed to make emergency purchasing of items procured centrally by Railway Board and DGS&D. The general principle while buying centralised purchase item is that the quantity should be such, which can tideover the emergent situation. The financial powers are as below:—
>
> Controller of Stores have the power to purchase upto Rs. 25 lakhs for each item. Beyond Rs. 25 lakhs, but not exceeding Rs. 5 crores, GM's approval is needed. In addition to above, for Railway Board centralised items, maximum quantity at one time should not exceed 3 month's requirements.
>
> Railways/PUs are not required to submit the information of emergency purchases to Railway Board. Railways are not empowered to deviate from the above delegations, and the

associated finance at the Railway level keeps effective control to ensure that the delegated powers are not exceeded."

2.31 According to the Ministry of Railways 'the emergency purchases are made by the Zonal Railways/Production Units under their powers of purchases, these are not referred to the Ministry of Railways. However, the purchase officers keep in view the last purchase price of DGS&D or Railway Board alongwith other relevant factors such as current market trend and state of emergency.' The Committee asked whether it was evident from this statement that the present system of purchasing tended to compare the lowest acceptable quotation with last purchase price for purpose of justification rather than an analysis of cost to establish economic costs of buying. In reply the Ministry stated:—

"The exercise of cost analysis to establish economic cost of buying is a time taking exercise, which is difficult to undertake even for the normal purchases. For emergency purchases it is not possible to venture such an exercise."

2.32 When the Committee asked if the Ministry did not feel that the absence of this (analysis of cost) could lead to formation of cartel and dictation of terms by such a cartel, the Railway Board stated:

"Purchase officers are expected to use their ingenuity to break the cartels, when they can, if the cartel is strong cost analysis alone would not be effective. It is expected that healthier news would prevail as the economy opens up."

2.33 As at present nearly 2/3rd of the value of purchase from DGS&D comprise of HSD, lubricant oils and greases, the Committee wanted to know about the approximate lead time taken by the DGS&D in executing the order.

In their reply, the Railway Board stated as follows:—

"The experience of Railways has not been satisfactory as there had been delays in coverage of demands by DGS&D."

2.34 Enquired if these items could not be procured directly by the Railways from Indian Oil Corporation instead of purchasing through DGS&D, the Ministry stated:—

"Effective from contract period 1991-92, procurement of POL products have been decentralised from DGS&D and direct procurement from major oil companies is being arranged by Railway Board."

2.35 Asked to state the various advantages and the amount of savings that would accrue to the Railways by making direct purchase, the Railway Board submitted:—

"Advantages are saving in purchase and inspection charges and

better co-ordination with oil companies leading to lesser stock-outs and lower inventories. At 1991-92 prices, the savings are of the order of Rs. 6 to 7 crores per year (saving on pruchase and inspection charges)."

Procurement of items having critical application

2.36 The Committee enquired if while procuring some items having critical application, it came to their notice that the market had become undependable with regard to quality and reliability, and if so, what steps were taken in such an eventuality. In reply, the Ministry stated:

"Instructions exist that Railways can resort to splitting of the order quantity on more than one Vendor to ensure that materials come in time. The decision as to on how many Vendors is left to the Railways, who while splitting the quantity, assess the aspects like criticality of the item, capacity-cum-capability of Vendors, past performance of Vendor etc.

As regards reliability of quality the important items are mostly subjected to inspection by third party like, RITES, Director of Inspection or RDSO before the same are supplied by the Vendor. Besides, the consignee also has the right of final inspection and test (including chemical analysis, where so desired) at the ultimate destination. Other measures which are taken depending on the nature of problem would include:

(1) Invoke stage inspection during manufacture.

(2) Upgrade the specification regarding tolarences, composition etc.

(3) Tighten the specifications of raw-materials used.

(4) Stipulating approval of the sub-Vendors by RDSO etc.

As a long term measure, Indian Railways have decided to adopt ISO:9000 (IS:14000) to total quality management in their activities including purchases."

2.37 As the Railway Board had stated that there were some items, for which, though the basic technology existed in the Country, the quantity off-take was apparently too small to interest Indian manufacturers to undertake the development, the Committee wanted to know how the Railways proposed to induce manufacturers to produce the required items for them and buying them at a high price from these local manufacturers and what could be the comparative economics of procuring these items from abroad *vis-a-vis* manufacturing these items in-house.

The Ministry of Railways stated:

"In order to attract indigenous manufacturers to develop such items, the following concessions are generally considered and granted:—

(i) Give a purchase commitment to the entrepreneur for 100% of the Indian Railways requirement for the first year, 80% for the second year and 60% for the third year provided prices and commercial terms are reasonable.

(ii) For developmental orders involving import substitution, no liquidated damages are levied in the event supply is delayed.

(iii) The extension in delivery period is also granted on a liberal basis."

The Ministry further stated:—

"There is no proposal to manufacture items like those at (a) above in-house. Items involve special expertise and large investment. It is generally seen that in the engineering sector manufacturing costs in India are lower than those abroad when the scale of production approaches optimum capacity for the investments. This is lowered not so when investments in the machinery and technology is heavy and the demand is small."

Track items

2.38 The Committee asked about the procedure adopted by the Ministry of Railways for adding new items to the list of track items, and the volume of track items procured annually and number of contracts handled/finalised and value of items contracted for. The Ministry replied:—

"The procurement of track items falls under the jurisdiction of Member (Engineering).

Elastic Rail Clip is a fastening for concrete sleepers introduced in 1960's. To develop the sources for its manufacture and to sort out related technical problems, its procurement was arranged centrally at the Board's level by Track Directorate, which was also procuring other fittings for sleepers like "Loose Jaws". Similarly, for Heavy Track machines, on their introduction in 1960's the procurement was entrusted to Track Directorate, because of the close involvement required of the Engineers in choice, selection and standardisation of machines. No other items have since been added to the list of items procured by Track Directorate. The policy, however, is to give only such item of track to the Track Cell for procurement as are developmental in nature and quantitities are bulk."

The Ministry added:

"The total value of track items tendered by the Track Directorate in 1991-92 was Rs. 274 crores approximately. Approximate quantities

tendered for, value of contracts, and number of tenders invited in 1991-92 is as below:

	Item	Quantity	Value in crores	Total no. of tenders	Total no. of contracts
i)	Rails (imported)		No tender in 1991-92		
ii)	CST-9 sleeper	1.8 lakh MT	162	1	70
iii)	Fish Plates	8,400 MT	13	1	7
iv)	Pts. & X-ings		No tender in 1991-92		
v)	Steel Turnout Sleepers	1,600 sets	19	1	1
vi)	Elastic Rail Clips	225 lakh nos.	40	1	50 (approx.)
vii)	Heavy Track Machines	—	40	5	7

Tendered quantities being large in case of CST-9 sleepers and Pts. & Crossings, Elastic Rails Clips, tendered quantities are split up amongst a number of bidders in keeping with their capacity and past performance. Thus, the number of contracts awarded is higher compared to the number of tenders."

2.39 The Committee pointed out that according to Railway Board 'with the prevailing constraint of funds, it may be possible to manage the track renewals and construction projects with the indigenous supplies' and therefore asked why the import was resorted to if it was possible to manage the track renewals and construction projects with the indigenous supplies.

In reply, the Ministry stated:

"Import of rails was resorted to, to close the gap between the requirement of rails for renewals, new lines, doubling etc. and their indigenous production. The track renewal programme during the VIIth Plan was particularly heavy because of the huge arrears of track renewals (19,500 kms.) accumulated at the beginning of VIIth Plan. The arrears have been brought down to around 9600 kms from beginning of VIIIth Plan. With increase in indigenous production of rails, the gap between requirement and supplies is coming down. It is anticipated that from 1993-94 onwards, the indigenous production of rails will meet the requirement of the railways, for planned renewals as well as developmental projects."

2.40 The Committee also wanted to know the value of purchase of track items through SAIL and other sources during the year 1991-92.

The Ministry have furnished the following information:—

"The break up for 1991-92 is as follows:

(amount in Rs. crores)

Items	SAIL	Other sources	Remarks
Rail	425	*130	*Import
Fish Plates	3.5	6.5	Trade
S.T. Sleepers	20.00	NIL	—
Wooden Sleepers	—	70.0	State Govt. agencies.
Switches & Crossings	NIL	50.0	Trade
ERC	NIL	40.0	Private Sector
Track Machines	—	40.0	Both private and public sectors.

2.41 According to Ministry the Wooden Sleepers are arranged through different State Governments and other Government agencies for which rates are fixed by the Ministry of Environment & Forests. The Committee wanted to know why the rates for Wooden Sleepers were not fixed directly by Railways.

The Ministry replied:

"The policy all along has been that the rates for Wooden Sleepers are fixed by a Standing Sub-Committee on Pricing for Sleepers. The Committee is chaired by the Minister for Environment and Forests and consists of Chief Conservators/Managing Directors of various Forest Departments of the State Governments and also the representatives of the Railway Board. It is clarified that the intake of Wooden Sleepers has tapered down to only a small fraction of the past supplies. It is expected to come down to 'NIL' in next 2-3 years. Change in present policy may not be relevant."

2.42 The Committee wanted to know whether the Railway Board were planning to transfer the procuring power for small track fittings to the Zonal Engineering Department on a permanent basis.

The Ministry stated:

"The Engineering Departments of the Railways have been procuring small track fittings since 1979. The system has worked satisfactorily. The matter has been reviewed and it has been decided that the system will continue to operate on a regular basis."

2.43 The Committee wanted to know whether clearance was taken from DGTD for the list of items to be imported on an annual basis or as and when required basis.

The Ministry replied:

"In terms of extent Export & Import Policy, import of capital goods, raw material & other items is permitted without any restriction as these items do not appear in the negative or restricted list of items appearing in the Export & Import Policy April 1992 - March 1997. DGTD clearance for import of item appearing in the restricted list is taken on case to case basis as and when the request is received from the indenting departments."

Transfer of technology

2.44 The Committee also asked the Ministry of Railways if any time bound planning was being contemplated for indegenisation of these items by technology transfer. In reply, the Ministry stated:—

"Technical Collaboration Agreement for transfer of technology for manufacture of items/components indigenously are generally entered into with a specific time schedule for total absorption of technology.

Phases for indigenisation and period for each phase depend upon item which is proposed to be indigenised."

2.45 Asked about the principles which govern choices for technology transfer, the Railway Board stated as follows:—

"Criteria adopted are different, depending upon the context in which technology transfer is made. However, some of the principles which govern choices for technology transfer include:—

(i) When a specific need is identified for operational and economical reasons.

(ii) The existing technology in the country for the specific item is outdated and connot be immediately brought to the level of technology available in the International arena.

(iii) The existing R&D available in the country may not be in a position to develop the technology in the near future.

(iv) Technology proven abroad is considered suitable to Indian Railways' needs and the working environments.

(v) Less maintenance.

(vi) Better reliability.

(vii) Environmental acceptability.

(viii) Cost effectiveness in maintenance and operation.

(ix) Cost of technology transfer.

(x) Ability of the transferer to make the transfer effective."

2.46 The Committee wanted to know from the Railway Board about their experience with regard to transfer of technology in the past. In reply, the Ministy stated:—

"In most cases the item goes through field trials under Indian conditions before a technology transfer is negotiated. The experience of technology transfer has been satisfactory in the past.

(1) A good case has been the transfer of technology that took place in case of diesel locomotives in the '50s when Indian Railways' collaboration with M/s. ALCO of USA resulted in Indian Railways building up its own manufacturing capacity at Diesel Locomotive Works, Varanasi and which has been the main stay of indigenous main line diesel locomotive fleet since the last 35 years. This has saved crores of rupees of foreign exchange and the indigenisation content of diesel locomotive stands today at around 97.5%.

(2) Indian Railways entered into technical collaboration agreement with M/s Hitachi Ltd./Japan in 1974 for manufacture of Hitachi type traction motor for electric locomotives. This agreement was held in abeyance and was given effect from April 6th, 1983 on subsequent trials of prototype motor. The manufacture of these motors have been indigenised in phases with very high degree of indigenisation in each phase having very low quantum of import. M/s. BHEL/Bhopal and M/s. Crompton Greaves, New Delhi have been given sub-licence for manufacture of Hitachi type traction motors for electric Locomotives. M/s. BHEL is manufacturing Hitachi type motors regularly and supplying to Railways, M/s. Cromption Greaves is in process of development. The technical collaboration Agreement has, however, expired since 5th April, 1991."

2.47 In reply to a question about the degree of emphasis laid on R&D *vis-a-vis* technology transfer, the Ministry stated:—

"The research and design functions on the Indian Railways are performed by the Research Design and Standards Organisation (RDSO), Lucknow, which is more oriented towards applied research in the field of railway engineering rather than fundamental research. In addition, RDSO is maintaining a close liasion/interaction with manufacturing units to upgrade that technology. In the manufacturing of locomotives about 75% (valuewise) of the assemblies, sub-assemblies are outsourced and the upgradation in technology is basically the role of the suppliers.

In addition, there is a constant effort to lower the failure rate of the equipments, make the rolling stock and other equipments more energy efficient and in this direction import of technology does become necessary. The need for import/transfer of technology is

critically reviewed in the Railway Board before the proposals are accepted.

Even in developed countries, no single country has latest technology in all fields and either the equipments are bought out from other countries or these are maufactured under licence with transfer of technology. This becomes necessary on the Indian Railway also, where the required/approved technology is covered by 'patents.'

2.48 The Railway Board have furnished the following information for items considered under TOT:—

(a) From the list furnished by the Railway Board it has been found that in certain cases 8 years have elapsed but the issue of technology transfer has not yet been materialised.

(b) Whether any target date been fixed by the Ministry for indigenous manufacture for such items?

(c) Which are the firms with whom negotiations have been held for indigenisation of certain items?

(d) Have these delays resulted in avoidable outflow of foreign exchange and if so, the quantity of the same?

(e) If the foreign colloborators are responsible for delay, has any action been taken against them under the contracts?

The Railway Board furnished the following details:

"The information regarding the following transfer of technology cases is given below itemwise:—

(i) *HT Centre buffer coupler & draft gear,*

(a) The collaboration agreements for transfer of technology is to be entered after successful completion of CBC & Draft Gear trials. RDSO cleared the supply for satisfactory fitment and operation in April 1991. Modalities for transfer of technology agreements are presently under consideration.

(b) No target date has yet been fixed.

(c) No negotiations have yet been held with Indian firms. Since transfer of technology is for technology upgradation, It is expected that present suppliers would be able to manufacture these items.

(d) No out flow of foreign exchange has taken place except for one time import of 5100 nos. as current design continues to be manufactured in India.

(e) Foreign collaborator is not responsible for any delay.

(ii) *Heavy duty 140t diesel breakdown cranes.*

(a) A supply contract for 12 nos. of cranes was placed on 9.11.1984.

The second part of the contract was an agreement for transfer of technology for manufacture of these cranes. This agreement was taken on record on 18.3.1986 and is operational for 10 years *i.e.* upto 17.3.1996. All the relevant drawings is documents have been received from the firm.

(b) There is no fixed target date for indigenisation of the complete crane. The indigenisation of each item and sub-assembly is a continuous process and the Railway have indigenised a large number of components like superstructure, jib, ropes & slings, counter weights, complete match truck, etc.

(c) Most of the structurals and smaller hardware components have been indigenised within the Indian Railway Workshops at Jamalpur. Some specialised components which have been taken up for indigenisation are as under.

(i) Jib - M/s Simplex, Bhilai.

(ii) Hydraulics - M/s. Rex Roth, Delhi.

(iii) Ropes and slings - M/s. Usha Martin, Calcutta.

(d) There has been no delay in this contract.

(e) There has been no delay by the foreign collaborators for this contract.

(iii) *Rockwell technology for bogies.*

(a) The transfer of technology agreement was signed on 4.8.1989. The contract is valid for 5 years.

44 bogies have been cast by CLW till July' 92 using this technology. The technology has been qualitatively absorbed in majority of the areas.

(b) It is expected that the 1994-95 all the bogies cast in Chittaranjan would be with this technology.

(c) The technology does not envisage import of any consumables.

(d) No bogies have been imported after the tranfer of technology agreement.

(e) There has been no slippage in this transfer of technology by the contractor.

(iv) Position in respect of import of 18 numbers, 6000 horse power Thyristor locomotives (6 from M/s. ASEA, Sweden and 12 from M/S Hitachi, Japan) is furnished below:—

(a & b) Locomotives of 3 different designs (6 each) were imported to serve as prototype so that decision on transfer of technology of most suitable design can be taken in case series manufacture of similar locos is to be taken up in India. For this purpose transfer of technology was not included to be simultaneous with the supply of locomotives, but was kept as an optional item. The option for going in for transfer of technology thus remained with the Railways, which has not yet been exercised for the following reasons:—

(i) Ministry of Railways had decided to go in for transfer of technology alongwith purchase of 3-phase technology locomotives which is superior to that of thyristor technology. This would also meet Indian Railways' need of high horse power locomotives.

(ii) In service trails for thyristor locomotives have not still been concluded and the manufacturers are carrying out minor modifications to meet the specified performance level. However, Indian Railway has been able to adopt some of the design features of these locos, in the latest type of locomotive being manufactured by CLW. In the meantime, both the manufacturers have been requested to keep the validity for TOT open in case thyristor technology is still needed as a viable alternative to the existing Tap Changer Technology.

(c) Not applicable.

(d) Since loption for TOT has not yet been exercised there has been no outflow of foreign exchnage on this account.

(c) Not applicable."

Financing procurement of material vis-a-vis rising prices

2.49 The Committee enquired that in view of the rising prices in the Country, what steps were being contemplated by the Railways to overcome problems arising therefrom and in procurement of various materials required by the Railways and whether any new methods of financing such procurement had been thought of. In reply, the Ministry stated:—

> "Railways generally enter into contracts for requirements of one year's duration to avoid serious impact of rising prices/price fluctuations. Besides, where markets are sensitive and suppliers so insist, generally, suitable escalation clauses are incorporated in the contracts to avoid failure of supplies in the even of severe price fluctuations.
>
> As has been stated above, Zonal Railways/Production Units arrange for procurement of Stores for regular usage for one years' duration for which budget allocation is made by Railway Board every year depending upon projections given by various Railways Production Units. Therefore, the question of financing procurement for normal maintenance, from sources other then budgetary allocations does not arise.

Coming to the rolling stock, however, the budgetary support is reduced rather drastically and substantial portion has necessarily to be financed through IRFC even though this mode of funding is more costly."

Stores and Inventories

2.50 The inventories on the Railways are grouped under following three heads:—

a) *Stores Suspense*—Include cost of physical stocks of stores held in depots together with cost of stores paid for but awaiting physical receipts.

b) *Workshop manufacturing suspense*—Under this head are the value of works-in-process in various workshops and Production Units.

c) *Miscellaneous Advances (CAP)*—This head includes the value of stores advanced to contractors for fabrication etc.

2.51 The Ministry of Railways have stated in their Memorandum:—

"In order to focus attention on the inventory control, it has been the practice on the Railways to maintain a ratio of balances at the close of the financial year to the annual issues of stores items. This ratio is known as turn-over-ratio which enables proper analysis of inventories of various items and maintain balances at the optimum level.

The position of inventories under Stores Suspense for the past few years is indicated below:—

(Rs. in crores)

Year	Total with fuel			Totalwithoutfuel		
	Balance	Issues	TOR	Balance	Issues	TOR
1981-82	360.82	1297.82	27	360.86	846.81	43
1982-83	335.08	1422.36	23	335.15	936.40	35
1983-84	348.03	1597.42	22	352.31	999.48	35
1984-85	374.57	1657.61	22	369.43	1046.53	35
1985-86	434.43	2010.79	22	423.27	1288.26	33
1986-87	483.34	2253.20	21	474.83	1511.05	31
1987-88	538.01	2337.62	23	518.19	1622.06	32
1988-89	641.17	2676.14	24	601.42	1877.61	32
1989-90	759.84	3165.22	24	735.64	2306.15	32
1990-91	888.79	3457.62	26	855.04	2548.02	33
1991-92	759.84	3165.22	24	870.73	3055.25	28

They added:—

"The marginal increase in TOR during 1990-91 is generally due to increase in stores in transit paid for but not available for use. All efforts are being made to bring it down in phased manner, without

affecting material back up for maintenance repair and operation of Rolling stock, to a level of around 30% during VIII Plan.

It is apparent from the above table that the stores TOR (without fuel) has stablised to a level of 32 to 33% ever the years. This has saved considerable amount of funds which otherwise would have been locked up."

The Railway Board further stated:—

"The techniques of inventory management have been progressively modernised over the years on the Indian Railways. The accounts of Stores is done through mainframe computers installed at Zonal Railway Headquarters which also generate other useful exception reports. As part of the extension of the scheme, microprocessors have been installed in 18 major stores depots on Indian Railways which will usher in an era of distributed data processing. Inventory Central Cells have been created on Zonal Railways and in the Board's office to monitor the inventories and take appropriate control measures."

2.52 The amount of capital represented by the stocks of various types of stores held at various stocking centres (Zonal Railways and Production Units wise) as on 31.3.1991 is given in Annexure—

2.53 The Committee also wanted to know about Stores Suspense Balance and whether any limit had been fixed on the quantity to be stored and if so, the basis on which such limits were determined.

The Ministry stated:—

"(a) Stores Suspense Balance is the sum total of the value of (i) the physical inventory in stock (ii) items paid for but in transit and (iii) accounting adjustments relating to stock adjustment account.

(b) the guidelines have been evolved for the physical quantity not to ordinarily exceed the following levels:—

Category of item

A 3 months of usage

B 6 months ,,

C 1 year ,,

Where an item is categorised as below:—

A — The top high value items whose cumulative annual usage value is 70% of the total consumption value of all items put together. Annual usage generally above Rs. 5 lacs.

B — The next high value items whose cumulative annual usage value is 20% of the total consumption value of all items put together. Annual usage generally abover Rs. 1.5 lacs.

C — All other items."

2.54 The Committee wanted to know the procedure for exercising checks in stores and the intervals after what these checks were being conducted.

The Ministry replied:

"All materials in Stores Depot, unless specifically exempted by the General Manager, are verified by independent stock varifiers (belonging to Accounts Department) as per the following intervals:

For 'A' category items — once in 6 months

For 'B' category items — once in a year

For 'C' category items — once in two years

Besides, Departmental Stock Verification is also conducted by the Depot Supervisors for important and high value items."

2.55 On being asked whether any co-ordination between various depots existed so that items lying unutilised one depot could be utilised in other depots, the Ministry stated:—

"The demands of each item required by various depots are bulked in the COS office before purchase is initiated.

While buying it is ensured that stocks lying untilised or overstocked one depot are offset against the requirements of other deposts and transferred to the latter. In addition, each depot/Railway circulates the list of inactive items with a request to take over such items, to the extent these are needed by them."

2.56 Asked to state the system of reviewing stock levels and demand forecasting methods in respect of different types of stores, the Ministry replied:—

"All items of stores are reviewed at different level of officers given below:—

For 'A' category items — COS/CMM on monthly basis.

For 'B' category items — by CMM/Dy COSs on half-yearly basis.

For 'C' category items at Senior Scale on annual basis.

2.57 The Committee wanted to know as to how the turn-over-ratio in India compared with that of other countries and what measures were being are taken by the Railway Board to bring TOR down. In reply, the Ministry stated:—

"The figures of the turnover ratio in other countries are not readily available. Therefore, the comparison as required cannot be made."

Ministry of Railways have already fixed very stringent target for turnover ratio (TOR) for 1992-93. The endeavours are being made to reduce the TOR as such for 1992-93, the over all Zonal. Railway target has been fixed at 29%."

2.58 The Committee asked the Ministry to furnish the figures in terms of value and percentage in respect of the Stores Suspense. Workshop manufacturing suspense and Miscellaneous Advantages.

The Ministry furnished the following details in this regard:—

"The value of stores under different suspense heads, namely, stores suspense, workshop manufacturing suspense and miscellaneous advance as on 31.3.1991 was as under:—

	Value (crores of Rs.)	As percentage of total Inventory
Stores suspense	888.89	78.32%
Workshop manufacturing suspense	180.97	15.94%
Miscellaneous advance	65.13	5.74%"

2.59 The Committee asked further details of Turn Over Ratio (TOR) of inventory during the last 3 years.

The Ministry replied:

"Turn-over-ratio for last three years is as under:—

Year		*TOR*
1989-90	—	32%
1990-91	—	33%
1991-92	—	28%
Target for 1992-93	—	28%

2.60 The amount of capital blocked in various types of stores of various stocking centres (as on 31.3.1991) is given in Appendix-III

Conclusions/Recommendations

2.61 Materials Planning and Inventory Management have an important role to play in the efficient working of the Indian Railways. At present, the overall annual purchases of the Railways amount to about Rs. 6,200 crores. However, at present inventory functions, including purchasing, tend to be more of observance of rules and regulations rather than analysis of costs. The present system of purchasing tends to compare the lowest acceptable quotation with the last purchase price for the purpose of justification. This weakness on the part of the Railway Board needs to be rectified. The Committee are of the view that the system of material planning and inventory control in Indian Railways need total streamlining. The Committee feel that the scope for value engineering and effecting savings is yet to be explored in the Indian Railways and, therefore, recommend that the

Ministry of Railways should introduce the system of cost analysis to establish economy buying. Although, according to the Railway Board, this is a time taking process but this type of analysis should be undertaken for major components like points and crossings, bogies, wagons, etc. Absence of cost analysis leads to cartel formation, dictation of prices and cost-plus contracts in ,the case of purchase of wagons, bogies and other ancillary rolling stock items. Inventory Management is a specialised function and it should be allowed to remain so.

2.62 After going into the details regarding the existing tendering process in Railways, the Committee feel that a proper, systematic and thoughtful approach will have to be taken while calling tenders, especially the limited tenders. From the figures of 1991-92 it is seen that out of 1,18,038 tenders called by the Indian railways, 1,61,517 i.e. more than 89% were limited tenders. It is a matter of common knowledge that in Limited Tender purchase, the bidders form a cartel and dictate prices. Even the Ministry of Railways have admitted that 'Where high prices are suspected due to ring formation, negotiations are held to bring down the prices.' The Committee recommend that the Ministry of Railways should go into the matter *de-novo* and make an indepth exercise to ensure that sufficient number of suppliers are registered with the Indian Railways and doors are not closed for new manufacturers to register themselves. The Committee presume that while making purchases particularly of substantial amount namely Rs. 1 crore and above, tenders are floated in all cases and purchases are not being made on ad-hoc basis or on the basis of repeat order.

2.63 The value of purchases made by Indian Railways has gone up considerably from Rs. 2053 crores in 1983-84 to Rs. 6213 crores in 1991-92. For a big, well spread organisation like Indian Railways with enough purchasing power lying in the hands of Zonal Railways/Production Units, it is often noticed that one Zonal Railways is procuring one item on proprietary basis while another is purchasing the same item at a much lower rate through competitive bidding. Even the Railway Board admitted that, under the existing system, 'some variations are likely to occur'. The Committee are of the opinion that the only answer to this problem is Regionalisation of Purchase, with a centralised computer system in all the metropolitan cities of Bombay, Calcutta, Delhi and Madras. By introducing such a system, the Railways can ensure better availability of stores at competetive prices. The requirements of the Zonal Railways/Production Units can be clubbed together to get the benefits of bulk purchase. On the other hand, such a system will encourage the establishment of more manufacturing units, which are otherwise very few in the Country at present owing to low procurement by the Railways. The Estimates Committee (1985-86), in their 25th Report, had recommended on similar lines. The Committee, therefore, recommend that the scheme of regionalisation of purchase may be implemented forthwith and without any further delay. The Committee feel that it would not be difficult for the Ministry of Railways to

implement this because, as of today, 6 out of 9 Zonal Railway Headquarters are located in these four Metropolitan Cities.

2.64 The Committee find that the amount of annual purchase through DGS&D by Indian Railways has come down from 27% in 1981-82 to 17% in 1991-92, of which nearly 2/3rd of the annual value of purchase from DGS&D comprises of High Speed Diesel, Lubricant Oils and Greases. The Committee are surprised to note this dual purchase policy adopted by the Ministry of Railways with regard to procurement of fuel. The Railway Board procure coal from Coal India Limited, a Public Sector Undertaking, but with regard to HSD, they approach DGS&D. The Ministry of Railways have admitted that their experience with DGS&D has not been satisfactory and there has been delay in coverage of demand. The Committee find no reason why the Ministry of Railways should not procure HSD, directly from Indian Oil Corporation, also a Public Sector Undertaking, on the same lines as they are procuring coal from Coal India. They strongly recommend that for all purchases made from other Public Sector Undertakings and where rate of an item is fixed by Government of India, the Railways should procure such items directly. This will help Railways in not only saving a substantial amount in purchase and on inspection charges, but there will be a drastic cut in the lead time with lesser stock-outs and lower inventories.

2.65 The Committee find that out of 67,436 tenders, a total of 11,784 tenders were awarded on the basis of negotiations during the last 5 years. Under the present purchase system, where cost analysis does not exist and 89% of tenders are called under Limited Tender category, the Committee feel that the percentage of such 'negotiated tenders' will rise as it has already been admitted by the Railway Board that 'where high prices are suspected due to ring formation, negotiations are held to bring down the prices'. The Committee, therefore, recommend that the Indian Railways should find some alternative to curb this tendency of 'negotiated tendering process' as such measures will protect the Ministry of Railways from the so-called allegations of kick backs. They may study the system adopted by other countries having a good railway system e.g. Japan and U.K.

2.66 After considering the growth in the volume of railway purchases during the last decade, the Committee observe that there is an urgent need for induction of an additional Member at the Board level to provide leadership, guidance in the Stores Department and thereby bringing greater efficiency and economy. During evidence, the Ministry of Railways had stated that 'in pursuance of Government of India directive for economy, the number of posts of Member in Railway Board has been reduced from seven to six. Hence, against this background, it is not considered opportune to upgrade the post of Advisor (Stores) to Member (Stores)'. But taking into account the value of annual purchase, which is more than Rs. 6200 crores, the Committee are of the view that the argument of Railway Board is not convincing. The Committee feel that there is no need to have two separate Departments basing upon the mode of traction i.e. for Electric Locomotives

and Diesel Locomotives. It would be more appropriate if the two Departments *i.e. Electrical and Mechanical* are merged under one head namely Member (Traction) and a post of member (Stores) is created to manage the same. This would also avoid unnecessary bias and unhealthy competition between Electrical and Mechanical Departments. Thereby, there will be no duplication of maintenance facilities. The post of Member (Traction) can be held alternatively by officers belonging to the Mechanical and Electrical cadres. The Member (Stores) can also look after the Production Units.

2.67 The Committee find that in order to ensure uninterrupted supply of stores for operations, maintenance and in-house manufacturing activities, the Zonal Railways, Production Units and Construction Projects have 206 stocking stores depots spread over length and breadth of the country. These depots stock over 2.8 lakhs items, comprising of over 1,00,000 unique items stocked in more than one location, to ensure timely availability of essential items for efficient operation of the Railways. Keeping in view, the very large number of items handled in the Railways and the need for accurate records, the Railways should go in for gradual computerisation. To begin with the Committee recommend that each store depot should furnish details of stock with them alongwith their future requirements to the Railway Board who may feed all the requisite information in a computer so that there may not be any duplicacy in purchase of stores by different Zonal Railways. Such a step would also help the Ministry of Railways to curb the tendency of procuring such items in Zonal Railways which are lying unused in another Zonal Railways.

CHAPTER III

DISPOSAL OF SCRAP

3.1 One of the important related activity of materials management is the management of surplus, absolete materials and scrap. The disposal of scrap is also an important activity of the stores department of the Railways. This activity has acquired great importance because quick disposal of scrap not only results in Railways' valuable space being available for other activities, but also yields revenue to the Railways. The value of scrap disposal during last six years is as follows:—

Year	Disposal of scrap (in Rs. crores)
1986-87	196
1987-88	234
1988-89	280
1989-90	362
1990-91	410
1991-92	540

3.2 The performance of the Railways and production Units in the matter of disposal of scrap during 1991-92 was Rs. 540 crores against a target of Rs. 468 crores, an increase of Rs. 130 crores (32%) over the previous year.

Similarly, disposal of engineering scrap during the last 4 years was as follows:

Year	Disposal of scrap (in Rs. crores)
1987-88	126.78
1988-89	128.43
1989-90	168.96
1990-91	203.81

During 1991-92 the scale of engineering scrap is estimated to yield Rs. 232 crores.

3.3 The Committee desired to know the percentage of surplus and absolete materials in the scrap disposed of since 1985-86. In reply, the Ministry of Railways stated as follows:

> "No separate record is maintained of surplus and absolete materials disposed of as scrap, because they form only an insignificant part of the total of disposal and all precautions are taken even before declaring them as scrap and disposing them off. The accretion to the

category of surplus and absolete stores in itself is being separately monitored and kept under check which represents only 0.1% approx. of the total issue."

Railway-wise/unit-wise percentage of surplus and absolete materials in the scrap disposed off during the years 1986-87 to 1989-90 is reproduced in Appendix IV.

3.4 As most of the scrap generated would be steel items, the Committee asked whether the written down value of the items or whether the market value of steel was considered. In reply, the Member (Mech.), Ministry of Railways stated:

"We show on book value but when we dispose of the item by auction then we take into account the prevailing market value of the scrap and compare our rates with the market rate to be sure that we are not under-pricing or the auction is not at unreasonable rates."

He further stated:—

"In the Railway Board we do not keep the recovery value of the scrap which is declared either surplus or un-surplus. In the Railways there is a very systematic methodology for keeping these records. Whatever in surplus is a surveyed by a committee of the officers. The ranking of the committee of officers depends upon the value of the material which is being surveyed. This Committee decides whether the material is considered to be redundant or excess to requirement or un-surplus. The total information is tabulated and then submitted to an authority not less than the Controller of Stores or to the Additional General manager. They take the final decision that the material shall now disposed of by auction. Complete information is maintained, including the figures of the value of such material."

3.5 Further, during evidence, the Committee wanted to know about the authority who was competent to decide that certain item had become scrap. The representative of Ministry stated:—

"Standing Survay Committee consisting of JAG/Sr. Scale Officers examine such items barring items less than Rs. 1000, physically before recommending scrapping thereof. Approval has to be at higher levels i.e., at COS, AGM or GM level only. A copy of the Survey Committee's recommendation is also sent to the Audit for scrutiny."

3.6 The guidelines issued by the Railway Board regarding disposal of scrap is given in Appendix V.

Financial powers

3.7 When the Committee asked about the financial powers of the officers for disposal of scrap, the Ministry of Railways stated as follows:—

"The bulk is arranged through auction, the officers supervising

the auction have full powers to dispose of scrap. As far as disposal of scrap by tenders is concerned, Controller of Stores Chief Materials Managers have full powers to deal with tenders of disposal of scrap."

Valuation of scrap

3.8 The Committee desired to know as to how it was ensured that the valuation of scrap was not undervalued by the officials in connivance with the buyers and what measures were taken by the Ministry of Railways to ensure correct valuation of scrap. The Ministry of Railways, in their reply stated:—

"The delivery of scrap is witnessed by three responsible staff of following departments to ensure that the correct quantity is delivered:—

(1) A representative of custodian.

(2) A representative of Accounts verifier, and

(3) A representative of RPF Staff.

The System exists for proper recording of the weighment in registers and gate pass, where the material is passing through gate of enclosed premises, which is again checked by security staff at the gate of the premises. Besides, measures like rotational transfer of supervisors and staff dealing with such matters are taken and surprise checks are also made."

3.9 The Committee pointed out that according to the Ministry of Railways, the scrap not required for Railway's own use was disposed off generally by public auction or tenders. They wanted to know whether any guidelines were issued for a particular item to be sold by auction or tender and how did the Ministry of Railways correlate the prices of scrap *vis-a-vis* its depreciated value.

The Member (Mech.) submitted as follows:—

"Most of the selling of scrap is done by auction. If we find that we are not getting satisfactory price then we resort to tender sale as an alternative to try and get better price."

3.10 The Member (Mech.) further stated:—

"What we do is we classify the scrap into different categories. We have six or seven categories. We sort out the scrap as far as possible into these classifications. We have a general ideal of what the market value for these different categories is currently and when we auction the scrap we keep in mind the prevailing market value so as to make sure that we do not sell at a price below the prevailing market price. We do not relate it to the original purchase price of the component in most cases because it is no longer eligible for the original component."

3.11 The Committee wanted to know further if in case of a huge price variation between two places of auction the railways transported the scrap from one point to the another to get a better price and whether any monitoring was being done regarding anormal price that the Railways should get. In reply, the Member (Mech.), railway Board stated:—

> "This monitoring is done by the Controller of Stores of the respective Zonal Railways. It is true that the prices will vary from Sales Centre to Sales Centre. That we tried to do is to make sure that what we are getting at that particular Sales Centre say Bombay, is comparable with the prices prevailing in Bombay and so on. We do occasionally transport scraps. But what we have found is that the legistics and the expenditure involved in loading and transporting scraps is often nullifying whatever higher prices we can get. So, in the normal course, we tried to sell scraps at several locations, in different railways, rather than centralising it in one place. If it is not done, the little extra money that is being realised is nullified by the additional expenditure that we have to incur and the additional capacities that we lose."

3.12 When the Committee wanted to know whether at any point of time glaring incident of not getting a competitive rate had been found, Member (Mech.), Railway Board stated:—

> "We have mentioned that we have cautioned against possible cartel formation. Because of that we are not getting adequate prices and so on and so forth. Under these circumstances, it is largely dependent upon the local conditions which the COS have to see and the associated Financial Directors have to see. It is a multi-tier sort of a thing which is checked from the lower level officer to the Deputy Controller (Stores) and ultimately it goes to the Controller (Stores). It is a multi-level check and not a one level check of the Railways."

3.13 Asked if any guidelines existed as to when and how the materials were declared as scrap and if so, we did the inspection to declare a particular item as scrap, he submitted:—

> "For most of our equipment, we have laid down what is called codel life *viz.* the equipment must last so many years. If an equipment has to be condemned *viz.* after an age or less than the codel life, then we have to specify the life, at which the inspections are to be carried out. Those inspections are carried out at a senior level, that is the Head of the Department before that particular equipment is condemned as unserviceable."

He added:—

> "We have also specified major items like rolling stocks, wagons, locomotives and coaches. The inspection will be carried out at a senior-level to satisfy themselves that the equipment is genuinely not serviceable any more and it will be uneconomical to repair it."

3.14 The Committee also wanted to know whether the sale of scrap was shown separately in the Annual Balance Sheet.

The Chairman, Railway Board stated:—

> "For every system there is a completion estimate. A material statement has to be submitted, sanctioned and vetted by the Finance. We have a system of macro-control in the depot itself and for each railway how much of weight should be sold with a particular check at this level is also maintained."

3.15 On this issue, the Committee further wanted to know whether the Railway Board, while considering the Balance Sheet of Zonal Railways and Production Units, also took into account the unsold scrap lying in the stockyard.

The Member (Mech.) replied:—

> "What we do is to make an assessment in terms of tonnage of scrap available in the depots. There we lay down what should be the value of scrap which Railway should be able to sell in the course of the year. The rails are sold and credit goes against the engineering side. The other scrap depending upon which department is making available this scrap, to that extent, that department gets a credit of the revenue budget."

3.16 The Committee wanted to know, whether both incoming and outgoing scrap from the yards were weighed properly so that cases of theft and pilferage could be detected. In reply, Member (Mech.), Railway Board stated during evidence:—

> "What goes into the scrap yards are normally attached to major workshops or major stores depots. What goes into these major scrap yards or comes from outside, that will come in a wagon and that wagon will get weighed on a weigh bridge and thereby we know the weight of scrap which is coming in. Similarly to the question whether what is going into the scrap yards is weighed or not, the reply is "yes, it is weighed"."

He further added:—

> "The second category is where the scrap which goes into the yards, that is railway yards, which comes from the track, that is rails. As I explained earlier, that is not weighed. There we take the measurement by length and the weight per unit length because these yards are scattered all over. The alternative method that we have for ascertaining the weight is quite correct and that again is accounted for. When the material is sold from the scrap depots, that is scrap yards, there again it is weighed before the purchaser carries that. When the rails are sold from the railway yards, where rails are accumulated, there the weight is again worked out by the length sold and weight per unit sold."

3.17 The Chairman, Railway Board elaborated:—

"The question is as to how track is accounted for. First there is a track renewal system. In the estimate itself there is a credit for released material portion. The weight of the released material is given in the estimate. There is material site account. Everything is numbered. Per kilometre how many sleepers or how many fish-plates should be released, these are accounted for. The Inspector has to give a detailed material at site account against what should have been released from the yard and what the stores Department is officially disposed of by auction. In case of any discrepancy, the concerned supervisor becomes answerable for any difference so that the track whatever comes out of the railway yard is automatically accounted for starting from the renewal estimate itself."

3.18 The Committee wanted to know whether during auction, a middle man, on behalf of the Railways, was entrusted with the job of auction and whether it was also true what whatever quantity was being auctioned by Railways, the bidder carried more than that and if so, what precautions had been taken.

The Member (Mech.) stated in this regard:—

"We have a system of auctioneers at most of the Railways which carry out the auction on our behalf. The function which they perform is an additional function. Regarding the safeguards, we have our own officers present at the time of auction. We have the authority to totally cancel an auction, if necessary, if we are not satisfied. We retain the authority to sell it or not to sell it. The material is carried away by the bidder through a three-tier system. It is done through a depot officers plus accounts officer plus RPF man."

He further added:—

"We take precaution to see that the quantity sold is only carried away and not more than that. Regarding the material involved in the accident, after the rolling stock has been examined by the concerned mechanical engineer, only that is autioned; and it is auctioned on the spot because it is very difficult to take it away from there; we avoid taking it away; we sell it where it is lying. We have provided weigh bridges at all the stock yards."

3.19 The Committee desired to know the reasons for engaging an outsider as a middle man and why the job of auctioneering could not be entrusted to one of the railway officers. In reply, Member (Mech.) stated:—

"We take note of your observation and we will examine it."

3.20 The Committee desired to know about the procedure to be adopted if in case price quoted in a tender was found to be less than which was available by auctioning. The witness stated:—

> "We adopt this alternative of tender only where we feel that the market value is a certain amount and we have not realised it. Market value fluctuates, this is known. So, if there is a large assignment of scrap coming at a particular time, the price of my scrap will dip and it is possible that from one auction to the next auction, it may get a different price because of other factors prevailing in the market. If I find that price is indeed lower and I can expect nothing more than I will sell it. To a large extent, we have to rely on market forces. If space permits, then I will hold on to such scrap. But if I have pressures on space and there is some more scrap coming in, I might even dispose of it at a cheaper price. It will depend on cases to case situation. What we try to do is to get the best available price."

3.21 During the visit to Wheel and Axle Plant, Bangalore, the Committee was informed that scrap was also being imported. The Committee asked why the scrap lying on Zonal Railways/Production Units was not made available to Wheel and Axle Plant, Bangalore so that unnecessary imports could be avoided. In reply, the Ministry of Railways stated:

> "Use of shredded scrap is a technical requirement as it results in energy conservation, improved productivity. About 15% of the scrap used in WAP is shredded scrap. Since shredded scrap is not available in the Country, this has to be imported.
>
> Balance Scrap used in WAP is the scrap obtained from Railways."

3.22 The Committee pointed out that it was a matter of common knowledge that damaged wagons/coaches remained lying for years together at the place of accidents and there were cases of pilferage of certain materials at the site of accidents. Asked about the steps taken to avoid pilferage of this nature, the Railway Board stated:—

> "Instructions have been issued to Railway to take immediate action to retrieve good and reusable fittings/parts of condemned wagons or wagons thrown off the track during restoration of traffic after an accident, so that they can reused. This is being done. Since the material likely to be pilfered is immediately removed, there is hardly any incentive for theft."

3.23 The Committee further enquired as to how long it took for the Railways to dispose such accident ridden material and whether it was done at the site of the accident.

The Ministry, in their reply, stated:—

"It is difficult to work out precisely the time taken for disposal of accidented wagons which cannot be salvaged and transported as sometime is taken by executives to complete pre-condemnation formalities and sometime is taken by Store Department in arranging disposal of such wagons through auction sale. Constraints are factors like, accessibility to the site by road, number of wagons available at one site for making economical lot for the purchase, transportation facilities available in the vicinity etc. It may be necessary to put up these wagons in repeated auctions due to constraints indicated above resulting in delays. At present, no data is available for the time taken to dispose of wagons directly from the site of accident. However barring exceptions, these get cleared in 6 to 8 months."

3.24 The Committee pointed out that it had come to their notice that invariably during auction, bidder for scrap from a ring and dictate price, thereby preventing small traders/actual users from bidding. The Railway Board replied as follows:—

"It is known that attempts to form a ring are not rare. However, auction Presiding Officer has to be alert and detect whether any ring has been formed by the purchasers. If the auction Presiding Officer feels that purchasers are operating on an understanding which lot is to be bought by whom etc. he has following options available:—

(a) withdraw some of the lots from auction;

(b) he may combine two or three lots together;

(c) he may reject bids against a few lots of sizeable quantity;

(d) he can in extreme cases cancel the auction;

(e) he can report to HQ and recommend for tender sale instead of auction, bringing out that his efforts to break the ring, did not succeed.

It is basically a battle of wits between auction Presiding Officer and Purchasers, and there cannot be a single solution for all such cases."

Conclusion / Recommendation

3.25 The Committee feel that the procedure of disposal of scrap in the Indian Railways needs considerable improvement. The Ministry have stated that while disposing rails, etc. they go by measurement and not by the weight. By this process, there is enough chance of under-valuation of scrap. For the Eighth Plan period the Railways are giving more emphasis to guage conversion programme. This will generate huge amount of steel scrap. To get better value for the scrap, the Ministry should modernise the existing system by providing weigh bridges at all railway yards. All

incoming and outgoing scrap from the yards should also be weighed so that the percentage of pilferage can be detected.

3.26 The Committee are surprised to note that even a huge organisation like the Indian Railways appoint private auctioneers for auction of scrap. The Committee strongly recommend that this system should be substituted by introducing the system of auctioneering under the Stores. The Committee feel that the Railways will get more competitive price for the scrap as the possibility of private auctioneer colluding with the bidder will be ruled out.

3.27 The Committee further observe that large scale improprieties do occur by way of cartel formation and dictation of price by such a cartel during auctioneering of scrap. The Ministry of Railways have also admitted before the Committee that 'it is known that attempts to form a ring are not rare'. Hence, the Committee feel that by introducing a System of inviting tenders for disposal of scrap, the Indian Railways can stop formation of rings by the bidders. Adequate police protection may be provided to help the highest bidder to carry the scrap to his place.

CHAPTER IV

PRINTING AND STATIONERY

4.1 In the year 1855, the East Indian Railway Company had set up a printing press at Calcutta. Thereafter a number of printing presses came up on Railways. The latest was commissioned at Kharagpur on South-Eastern Railway in 1967.

4.2 The printing and stationery needs of Railways consist of three major activities viz. forms and stationery, publications and card ticket printing.

4.3 There are 11 general printing presses and an equal number of ticket printing presses and books and forms depots on the Indian Railways with a total work force of 6,866. These presses meet the entire requirement of passenger card tickets, money value books and bulk of standard books and forms.

4.4 The general printing presses work in two shifts for optimum utilisation of machinery and plant.

4.5 The out-turn of general printing presses was maintained above 60 crores at 60.62 crores DFCI as against 61.88 crores in the previous year 1989-90, with a marginal shortfall of 1.26 crores in the year 1990-91, whereas considerable progress was made during the year in implementing Government's directive to print forms and rule books bilingually by further augmenting the capacity for Hindi composing.

4.6 The out-turn of ticket printing presses was 129.66 crores of the passenger card tickets during the year 1990-91 as against 119.36 crores in the year 1989-90. With the introduction of computerisation in most of the stations, the supply of printed passenger card tickets to all the stations was maintained well within the load time and in most of the presses, the supply of tickets was advanced to 3-4 weeks against normal delivery schedule of six weeks after the receipt of the indent. The blank card tickets were also fabricated departmentally on all the Zonal Railways except the South-Eastern and Northeast Frontier Railways.

4.7 The books and forms depots stocked 13896 items. The value of transactions of receipts and issues of these depots was Rs. 24.20 crores and Rs. 20.93 crores respectively in 1990-91 as against Rs. 25.05 crores and Rs. 21.10 crores respectively in the previous year. The value of out-turn of printing presses during 1990-91 was Rs. 24.37 crores as against Rs. 25.92 crores in the previous year. The capital outlay during 1990-91 was of the order of Rs. 11.52 crores as against Rs. 10.86 crores during 1989-90.

Computerised ticket printing

4.8 During evidence, the Committee wanted to know that in spite of having 11 printing presses why the Indian Railways was going to outside printers for ticket printing and whether the Railway presses were being utilised at optimum level. In reply, the Member (Mech.) Railway stated:—

> "We have had a continuous growth of passenger traffic, I think of the order of about 5 to 6 per cent per annum and the capacity of our ticket printing presses has not quite for been able to keep up with this. We are now having a programme for double shifting the printing presses to be able to cope with the work. So, the question of having spare capacity in the printing presses does not exist at this moment. There are two things which we have done. One is, as you have just now mentioned, the SPT machines which we are now trying to go in for a big way because firstly they are very much faster and, to that extent, we would be able to reduce the length of the queues and the waiting time. The other is that with the computerised reservation system having come in, the tickets which are sold from those centres are now coming off from the computerised terminals and, to that we still have a gap between the capacity and the requirement of the standard card ticket. The quantity of such tickets has actually grown. To that extent, we are now finding need to augment that capacity, not by putting in more machines but by double shifting the printing presses."

He further added:—

> "There are three types of tickets. One is the printed card tickets which are printed in the Railway presses. We do not get them printed outside at all. The second type of ticket is what we call the computerised tickets. As you are aware, these tickets are printed on the printers while the transaction is taking place. What we get printed in the presses is only the format. Our total requirement of these formats is in the region of 4 to 5 crores per annum. The capacity at our Shakurbasti press is about 1.44 crores per annum and the remaining 3.5 crores we get printed outside. As we go on increasing our computer terminals at various stations, this requirement will further go up.
>
> The third type of tickets in the Excess Fare Ticket and the Blank Paper Ticket. These are the two which are printed exclusively in the railway printing press. They are not printed outside."

4.9 The Committee wanted to know the basis of procurement of computerised tickets from private services and what was the price differential between the two sources *i.e.* private and Railways own source.

The Ministry, in their reply submitted as follows:—

> "The procurement of computerised tickets through private sources is made only on the basis of competitive rates obtained from the reliable firms having necessary infrastructure for the manufacture of the same.
>
> Manufacture on the Railway has commenced on an experimental basis and cost data is not very reliable. However, price difference is marginal."

4.10 The Committee pointed out that out of 5 crores, 3.5 crores computerised tickets were being printed at private sources and desired to know the total expenditure that the Railways were incurring annually to procure such tickets. The Ministry in their reply stated:—

> "The expenditure incurred during 1991-92 on procurement of tickets through private sources was approximately Rs. 49 lakhs."

4.11 The Committee desired to know the time by which Printing Press of Shakurbasti would be able to meet the entire requirement.

The Ministry stated:—

> "Since the work is undertaken as an experiment by purchasing a few special machines for the purpose (1 printing machine with 6 re-rolling units as auxilliaries). There is no firm proposal at the moment to expand the capacity at Northern Railway Press or create capacity elsewhere."

The Ministry of Railways deposed:—

> "Establishing facilities at one location for the entire needs of the Railways does not appear feasible since the problem of logistics would be rather difficult to tackle. A view would be taken after watching the experiment for some more time."

Fake tickets

4.12 On being asked by the Committee that how it was ensured that touts and other anti-social elements did not print fake tickets and cheat the innocent passengers, the Ministry of Railways stated as follows:—

> "Intensive checks by the Vigilance and Ticket Checking Organisations of the Railways are made to guard against the use of fake tickets. The rail customers are advised from time to time through media to obtain rail tickets from the Railway counters only and from agencies authorised to issue tickets on Railway's behalf. They are

warned that it is a punishable offence to obtain a ticket from other than the above sources. Rail user's cooperation in this regard is crucial. Any one, including railway staff found involved in circulation of fake tickets, is taken up under the provision of law. Action is being taken to standardise the EFTs (Excess Fare Tickets) and BPTs (Blank Paper Tickets) used on Railways so that there is no misuse or taking of these types of tickets.

Frequent raids and surprise check up by the Vigilance Organisation are also undertaken to apprehend touts and other anti-social elements indulging in malpractices. During the year 1991 (January to December) as many as 2352 such touts and anti-social elements were apprehended by the Vigilance Organisation."

During evidence, Member (Traffic) stated as follows:

"We normally receive complaints of printing of fake tickets. Detection of such things takes place. It is not so much with regard to card tickets. They are more in the case of EFT and BPT."

Member (Mech.) added:—

"In the card tickets there is no fake ticket at all. There may be cases, and there are cases of resale of tickets taking place at some points. In so far as computerised tickets are concerned, there is no question of resale because, by and large, they are against reservation. Where fake tickets are detected, that is in the region of Excess Fare Tickets and the Blank Paper Tickets. We have come across tickets which are printed outside. The cases of such fake tickets are arising either out of those printed outside or because of tickets stolen from our custody and used. So, these cases have come to our notice and we have taken action against the staff members involved in these. Recently there has been a case in Lucknow where outsiders and staff members involved in the printing and sale of fake tickets have been apprehended and have been proceeded against. To overcome this problem. We have currently taken a decision for revising the format, the colour scheme and the edging of both, the EFTs and BPTs, giving a separate code number for each Railway in a different form altogether and having different monitoring limits. We propose to introduce these revised formats with effect from the 1st of October. Once we do that, whatever has been printed by the outside people for misuse, would cease to be a valid one and a person doing so can be detected easily."

4.13 The Committee pointed out that there were instances where the staff of a particular station remained there for more than 10 years and a number of persons travelled without ticket by giving the reference of such staff. They enquired why the Ministry of Railways did not ensure that there should be a periodic transfer of such staff who directly come in contact with people.

The Member (Traffic), Railway Board replied:—

"I am not disputing. I am in agreement with you. I only want to clarify. What you are saying is hundred per cent right. These things are taking place. We have instructions that in respect of people who come into contact with the public—which includes T.T.Es., Ticket Collectors, Booking Clerks, Goods Clerks, Reservation Clerks and other categories also—they shall not remain at one place for more than 3 years. The concept of periodical transfer is there. We have also instructions that these periodical transfers be carried out as soon as the school session is over so that the education of children is not disturbed. I also agree entirely with the hon. Member that there are people who have stayed in certain areas for over 10 years. We do transfer them. But there are certain conditions where certain exceptions are there. There are people who stay beyond the limit. It is not always necessary that those working at a place should develop vested interest. It works both ways."

Conclusion/Recommendation

4.14 The Committee feel that an urgent and pragmatic approach should be adopted for the Printing Presses on Indian Railways to determine what further action is required in this regard. At present, all the 11 printing presses are under the respective Zonal Railways and at the Railway Board level there is a cell headed by a Joint Director, who works under Advisor (Stores). What is really surprising is that in spite of having 11 presses, Railways have to go in for private presses to get their jobs completed. The Committee recommend that the Ministry of Railways should take appropriate steps for development, modernisation and rationalisation of printing presses and should chalk out appropriate plans and implement the same. The Committee, therefore, recommend that the possibility of one Indian Railway printing press handling a particular item and specialising in it should be examined. Since the Operation Information System is first introduced on the Northern Railway the work relating to the railway computerised ticket printing should preferably be explored and organised at the Shakurbasti Press, Delhi. The contractual arrangements for procuring computerised tickets should be dispensed with and the entire ticket printing needs should be met with at the above press.

4.15 The Committee find that the value of transactions of receipts and issues of books and forms depots was Rs. 24.20 crores and 20.93 crores respectively in 1990-91 as against Rs. 25.05 crores and Rs. 21.10 crores respectively in the previous year. The Ministry of Railways owe an explanation to the Committee for this decrease in the value of transactions in 1990-91.

CHAPTER V

PROCUREMENT OF COAL AND DISPOSAL OF COAL-ASH

Procurement of Coal

5.1 In their Memorandum, the Railway Board have stated

> "Coal is procured from Coal India Ltd. and Singareni collieries Company Limited on the basis of agreement entered into between the Railway Board and the Coal Companies aforesaid. Generally Coal procured is of Grades A, B and C and the prices are paid as fixed by the Government of India through Price Notifications issued by the Ministry of Coal from time to time.
>
> Consumption of Coal on the Indian Railways during the year 1990-91 was 4.48 million tonnes and is expected to be of the order of 4.0 million tonnes during 1991-92. The Coal procured is mainly used for traction purposes. However, a very small quantity is meant for the consumption for other miscellaneous uses. Coal is not disposed of by way of sale except a very small quantity to Rly. Employees for their domestic needs as a measure of staff welfare. The prices for coal so sold to the Railway Employees is fixed by the Zonal Railways in consultation with their FA&CAO."

Transit loss of coal

When the Committee enquired if it was not a fact that large number of Railway employees working in Railway yards/stations/godowns used coal procured through unfair means.

The Ministry of Railways, in their written reply stated as follows:—

> "Coal is carried in open wagons over long distances before it reaches destination loco sheds and is vulnerable to pilferage in transit. Due to the present socio-economic conditions in the country, the evil of pilferage of coal from wagons in transit, mostly by non-railwaymen, is widely rampent. Railways conduct test-checks of reweightment of loco coal wagons at destinations wherever weigh-bridges are available to assess losses of coal in transit. At places where weigh-bridge is not available or where it is operationally not feasible to re-weigh the wagons, all loco coal wagons are subjected to volumetric measurement to assess transit losses."

The Railway Board further added:—

> "Apart from pilferage en route, a small portion of transit losses can be attributed to short loading by collieries. Although the Railways are trying to ensure 100% weighment of loco coal wagons before despatch

from the collieries, at times it becomes difficult due to reasons like weigh-bridge being out of order etc. In such cases, to prevent short loading by the collieries, Chief Mining Advisor, Railway Board, Dhanbad's organisation conducts quantity checks on loco coal wagons and on his recommendations, deductions are made from the bills of the collieries for any short loading detected."

5.3 The Committee asked whether any efforts had been made to quantity loss of coal during transit, the Ministry of Railways replied:

"Yes, Railways are quantifying the losses of coal in transit. Railway Board has fixed the limit for transit and handling lossess of coal on Railways as 2% of the receipts and wherever losses exceed the said limit on any Railway, remedial measures are taken to arrest the rising trends and to bring the said losses down to the prescribed limit. During the last 3 years and upto Dec. 91 (1991-92) the percentage of transit losses was as under:—

Year	%age of transit losses
1988-89	2.6
1989-90	2.4
1990-91	2.7
1991-92 (Upto 31-12-1991)	2.4

5.4 The Committee pointed out that despite fixing the limit for transit and handling losses of coal at 2%, during the last 4 years it has exceeded the prescribed norms. Asked whether the above facts did not reveal that all measures taken by the Ministry of Railways had failed. In reply the Railway Board stated:

"Ministry of Railways have fixed a target for coal transit and handling losses at 2% which is closely watched and monitored at Shed, Divisional, Headquarters and Board's level. Wherever the losses exceed the prescribed limit, investigations are carried out and remedial measures some of which are given later taken to arrest the rising trend. The steps initiated have resulted in bringing down the transit losses since the year 1983 as per the following figures:

Year	% Age of Transit Losses of Coal
1983-84	6.0
1984-85	5.1
1985-86	3.9
1986-87	2.6
1987-88	2.6
1988-89	2.6
1989-90	2.4
1990-91	2.7
1991-92	2.4

5.5 During evidence, the Member (Traffic), Railway Board submitted:—

"On the guage the quantum of losses is not much. But where there

is break of guage transhipment, there are losses. With the total quantity of coal we have been consuming at present, I think by 2000 A.D. there will be no steam power at all on the Indian Railway system. In about 3 years' time on the broad guage there will be no locomotive. We will not be consuming loco coal at all. The transit losses and transhipment losses will disappear."

Regarding theft of coal, Member (Traffic) further stated:—

"We have been apprehending people and arrests have been made. I have got the figures which I can give to the Committee either seperately or, if you want me to read out. I can read. The one big step that the Railways have taken in so far as the movement of coal is concerned is the introduction of box-n-wagons. It is difficult for the people to climb up particularly in sections where we have the overhead electric traction, people will not pilfer the coal. The box-n-wagons has minimised the problem if not completely eliminated. Regarding underloading of wagons, there were only two possibilities. Overloading normally does not take place, it is generally underloading that takes place. We do carry out surprise checks in the sense that when the train is on the run we do stop it and have it weighed. We have also decided to instal electronic weigh-bridges at 10 different locations. That is, when the train is passing through the yard, we can stop it on the way. We have brought down the underloading losses."

5.6 It has been brought to the notice of the Committee that the goods train staff, in connivance with bad elements, got the train stopped, wagons declared sick and then got these wagons detached on the spot. The theft of coal took place from these detached wagons. Asked whether the Railways had paid any attention to the above problem, the Member (Mach.), Railway Board stated:—

"This hot axle problem is something which is rapidly diminishing because we are moving to roller bearing wagons. Now hot axle problem if it causes, is detected by train crew or way side station master. Normally, wagons are not detached any longer."

5.7 The Committee pointed out that inspite of tight security at railway stations and sheds there were cases of pilferage. Asked how the railways ensured that there was no connivance between railwaymen and the persons who indulged in pilferage, the Ministry of Railways replied:—

"Generally theft of coal is taking place from the wagons en route and the persons responsible are taken up by RPF as well as police. Theft from the wagons while standing at the stations and from stacked coal inside the sheds are rate as most of these places are guarded by RPF. Crime intelligence is collected at Sensitive points so as to ensure that a nexus does not develop/form between the culprits and the Railway staff. Raids are also conducted on getting clues about the receivers of railway material. Also Railway employees, who

are found in unlawful possession of Railway property are arrested under the RP (UP) Act and prosecuted in the Courts of law. The employees also taken up departmentally under disciplinary rules."

5.8 When asked to state the number of persons nabbed for theft of coal during a year, the Railway Board submitted:—

"During the financial year 1991-92, 3346 persons were apprehended for theft of coal over Indian Railways out of which 3168 were outsiders and 178 were Railway employees. Against this 3578 persons were arrested during the year 1990-91, out of which 3408 were outsiders and 170 persons were Railway employees. Arrest of 3323 persons were made during the year 1989-90, out of which 3169 were outsiders and 154 persons were Railway employees."

Steps taken to check pilferage

5.9 Asked to state the various remedial measures taken by the Ministry of Railways to arrest the transit losses of coal, the Railway Board stated as follows:—

"(i) Every effort is being made to weigh 100% loco wagons before despatch from the collieries.

(ii) In case the weighment is not possible due to reasons like the weigh-bridge being out of order, Chief Mining Adviser, Railway Board, Dhanbad has been instructed to intensify quantify checks in colliery sidings and recommend deductions from the bills of the collieries for any short loading.

(iii) Inspectors are being deputed at weightment points to conduct surprise checks.

(iv) RPSF is posted at selected loco sheds to arrest pilferage.

(v) Arrangements for escorting loco coal rakes from the loading points to the destination sheds has been done as for as practicable and on vulnerable routes.

(vi) All loco coal wagons received by the sheds are being subjected to volumetric measurements to assess the losses of coal in transit.

(vii) Surprise checks on the volumetric measurement are being done at the loco sheds.

(viii) Flying squads consisting of two fuel Inspectors and one RPF Inspector from Crime Intelligence Branch are conducting raids at suspected spots.

The Ministry further stated:—

"Railways have been advised to intensify test weighing of coal rakes so as to help in pin-pointing the collieries which are underloading wagons. Chief Mining Adviser/Railway Board, Dhanbad has also been instructed to intensify quantity checks and take suitable action

against the collieries found underloading. It is hoped that with these steps taken, the transit losses would be kept under control."

5.10 The Committee pointed out that according to the Ministry of Railways, "the price of coal sold to the railway employees is fixed by the zonal railways in consultation with their FA&CAOs" and asked whether any fixed guidelines had been issued by the Railway Board.

The Ministry replied as follows:—

"Board had advised Railways that they should include the following items in computing the sale rate of coal to be sold to Railways employees:—

1. Prime cost of coal.
2. Excise duty.
3. Cess charges and sale-tax where leviable.
4. Freight at public rate including supplementary charges, if any.
5. Incidental charges 2% and loading, unloading and stacking charges or transhipment charges incurred at the break of guage, if not included in freight charges.
6. Supervision charges including losses in transit 12½%.

Besides this, at present Railways are also charging surface transportation charges paid to collieries for transporting coal from pit-head to loading point.

It will be seen from above, that besides basic cost of coal, statutory duties and sales-tax charged by the Coal India Limited, Railways are also collecting freight at public rate, incidental charges and supervision charges."

Disposal of Coal-ash

5.11 Coal ash is sold by public auctions/tenders to individual parties as well as co-operative societies. Wide publicity is given by issue of auction notices as well as public tender notices except in cases where demands exist from approved Co-operative Societies when limited tenders are issued to such Co-operative Societies. The interval of auction of coal ash varies Auction of coal ash varies from 3 months to 1 year depending upon the quantity of accumulation of coal ash. On account of progressive phasing out of steam traction, coal ash generation has come down from 9 lakh cum in 1985-86 to about 6 lakh cum in 1989-90. The reducing trend continues. The amount realised from sale of surplus ash during 1989-90 was about Rs. 2.5 crores.

5.12 On being asked by the Committee whether the Railways had ever fixed the reserve price for coal ash and how many parties by coal-ash from the Railways in a year, the Railway Board stated as follows:—

"Reserve price is fixed whenever sale is by auction. Petty sales are

on prices pre-fixed in consultation with associate finance. Sale by open tenders is finalised on the merit of each case considering the offer received. on an average, the number of individuals, organisations and contractors to whom coal ash is sold in a year is about 250".

Conclusions/Recommendations

5.13 With regard to coal, the Committee find that large scale pilferage takes place during transportation and from the yards. The present system of movement of coal by rail at 'owner's risk' should be stopped. Today large-scale pilferage from coal wagons is occuring because nobody is accountable for the difference between the coal loaded and delivered. The Coal mafia thrives on pilferage of coal protected by the 'owner's risk' movement policy. The Committee, therefore, recommend that Indian Railways should take up the matter with Coal India Limited (CIL) and jointly chalk out modalities for introducing the clause of accountability for the difference in weight as recorded in the railway receipt (RR) issued by the booking officials at the pitheads and the actual wight delivered to the consignee. The Committee feel that either of the two organisations i.e. IR or CIL or both should be made responsible for the transit loss. This would require not only change in the century-old railway rule but also installation of computerised weigh-bridges. The Committee are aware that the movement of coal at the risk of Railway/CIL would cause additional financial burden in the sense that the consignees' claim for compensation would have to be made good, but this would put an end to pilferage. The Committee further recommend that Tribunals may be set up for early disposal of compensation cases.

5.14 After going into the details of pilferage of coal and disposal of scrap, the Committee feel that the powers provided to the Railway Protection Force (RPF) is highly inadequate. The Committee recommend that proper enactment may be brought to provide adequate teeth to RPF to check pilferage and corruption in the Railway system. For this, the Railways should have dialogue with the respective State Police for proper coordination.

5.15 The Committee find that coal-ash is sold by public auctions/tenders to individual parties as well as co-operative societies. The Ministry of railways have stated that the interval of auction varies from 3 months to 1 year depending upon the quantity of accumulation. On account of progressive phasing out of steam traction, generation of coal-ash has come down from 9 lakhs cum in 1985-86 to about 6 lakhs cum in 1989-90 and amount of Rs. 2.5 crores was realised from the sale of ash in 1989-90. The Committee recommend that the Ministry of Railways should examine the possibility of utilisation of coal-ash as building material in its own construction works like house building, etc. and should also negotiate with cement factories for their utilisation as a raw material for producing cement.

APPENDICES

APPENDIX I

(*Vide* para 2.20)

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
RAILWAY BOARD

No. 90/CE.I/CT/1 — New Delhi, dated 11.4.90.

The General Managers, All Indian Railways including CLW, DLW, ICF & MTP/Rlys., Calcutta.	The Officer on Spl. Duty, Rail Coach Factory, Kapurthala.
The Chief Admn. Officers, MTP/Rlys., Bombay & Madras.	The Chief Admn. Officer, DCW/ Patiala and COFMOW New Delhi.
The Chief Project Officer, MTP/Rlys., Delhi.	The General Manager, Central Organisation, Railway Electrification, Allahabad.
The Chief Admn. Officer (Con.), Southern Railway, 18, Millers Road, Bangalore.	
The General Manager, Wheel & Axle Plant, Bangalore.	The Principal, IRISET/ Secunderabad and IRMEE/ Jamalpur.
The Director General, RDSO/ Lucknow.	The Director, IRCEM/Pune and RSC/Baroda.
The General Manager (Con.), N.F. Railway, Guwahati.	The Chief Admn. Officer (C), S.E. Railway, Waltair.

SUB:—*Tenders—General Instructions.*

It has come to the notice of Board that instructions issued as per the following letters (copies enclosed) of Board are not being followed rigidly.

(i) **Board's letter No. 72/W-I/CT/12, dt. 16.3.1972**
Desiring that Tender Committee should meet and after discussion draw out the minutes which should be jointly signed by all the members etc.

(Based on Recommendation No. 20 of Report of study team on "Elimination of Lacuna and improvements in the Procedure of Cosnt. and supplies forwarded to Railway vide Board's letter No. 65-Vig (1)/102 dated 19.3.1971).

(ii) **Board's letter No. 72/W-ICT/42, dt. 17.11.1972**
Regarding careful scrutiny of tender documents while evaluating tenders etc. (based on Board's letter No.65-Vig (1)/1/102, dated 19.3.1972) reg. recommendation No. 21 of the Study Team on "Elimination of Lacuna & Improvements in the procedure."

(iii) **Board's letter No. 88/CE.I/CT/67, dt. 17.11.1988.**
Regarding scrutiny and evaluation of tenders by Tender Committee.

(iv) **Board's letter No. 88/CE.I/CT/23, dated 2.5.1988**
Regarding procedure for conducting negotiation with contractors for awarding contracts.

2. It is desired that these instructions should be followed strictly in the right perspective.

Sd/-
(S.K. VIJ)
Executive Director, Civil Engg. (G),
Railway Board.

Encl: 4 (Four).

Copy of Board's letter No. 72/W-I/CT/12, dated 16th March, 1972 addressed to General Managers, All Indian Railways.

....

Constitution of Tender Committee consisting of three members.

...

Please refer to Recommendation No. 20 of the Report of the Study Team on 'Elimination of Lacuna and Improvement to the Procedure Construction and Supplies', forwarded to All Indian Railways under Board's letter No. 65-Vig/1/1/102, dated 19th March, 1971, reads as under:

> "Tender Committee—It is considered essential that the Tender Committee should meet and after discussion draw out the minutes which should be jointly signed by all the Members. It is felt that a minimum of three members should be in Tender Committee out of which one should be from the Accounts Department and one from the Executive Department concerned. The parctice of having only two members in the Tender Committee is not considered desirable."

It has come to the notice of the Board that the practice of having only two members in the Tender Committee still continues in some of the Railways. The Board, therefore, desire that the procedure as laid down in Recommendation No. 20 referred to above, should be adhered to strictly for all future cases.

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

No. 72/W-I/CT/42 New Delhi, dated 17.11.1972

The General Managers,
All Indian Railways,
including CLW, DLW & ICF.

SUBJECT: *Scrutiny and evaluation of tenders by the Tender Committee.*

A case has come to Board's notice in which the Tender Committee constituted by a Zonal Railway considered and evaluated the tenders based on the overall value and recommended the lowest Tenderer. This tenderer had actually quoted an abnormally high rate for one item of work but the tender committee failed to detect the same as they evaluated the tenders on the overall value. The high rate for the specific item of work in question subsequently came to the notice of the Administration during execution of the work when the Railway Administration asked the contractor not to execute this item of work. The contractor sought for arbitration and the administration had to defend its stand before the Arbitrator. This situation would not have arisen, had the Tender Committee scrutinised the individual rates carefully at the time of recommending the tenders.

2. With a view to avoid recurrence of cases of this nature, Board desire to reiterate that while evaluating tenders the tender documents should be carefully scrutinised particularly to ensure that the rates quoted for individual items are realistic and are not unreasonable in respect of any item of work. It is the responsibility of the Tender Committee should therefore scrutinise carefully, the tendered rates. The attention of the Railway Administration is drawn once again to the need for checking units, rates and quantities of all the individual items in the tenders carefully, while evaluating the tenders. In this connection attention is also invited to Board's Circular Letter No. 61-B(C)-N/27, dated 1.3.1962 and No. 63-TGII/6, dated 13.9.1963 and recommendation No. 21 of the 'Report of Study Team on elimination of Lacunae and improvement in procedure' construction and supplied' circulated under Board's letter No. 65-Vig. I/1/102, dated 19.3.1972.

3. It also came to the notice of the Board that in this particular case, no briefing note was submitted to the Tender Committee indicating the last rates for similar works. In this connection attention is invited to Board's circular letter No. 61/W5-LCT-41, dated 23.10.1961 and 21.12.1961 and

recommendation No. 19 of the "Report of the Study Team on elimination of lacunae and improvement in procedure construction and Supplies" circulated under Board's letter No. 65-Vig.-I-1/102, dated 19.3.1971 wherein it has been enjoined that alongwith the tabular statement of tenders for the consideration of the Tender Committee, a short briefing note should be furnished for their information indicating the last accepted rates for similar works in that area, analysis of financial standing, technical competance and capacity of contractor etc., the Board desire that these instructions should be rigidly complied with.

4. Receipt of this letter may please be acknowledged.

Sd/-
(KALICHARAN)
Director, Civil Engineering,
Railway Board.

DA: Nil

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
RAILWAY BOARD

No.88/CE.I/CT/67 — New Delhi, dt. 17.11.1988.

The General Managers,
All Indian Railways,
Including CLW, DLW, ICF,
WAY, RE & MTP/Rlys.,
Calcutta.

The Director General RSSO/
Lucknow.

The Chief Admn. Officers,
MTP/Railways at Bombay
and Madras.

The Officer in Spl. Duty,
Rail Coach Factory,
Kapurthala.

The Chief Project Officer,
MTP/Railways, Delhi.

The Chief Admn. Officer
DCW/Patiala and COFMOW/
New Delhi.

The Chief Admn. Officer (Con.),
Southern Railway, 18, Millers
Road, Bangalore.

The Director, IRICEN/Pune,
IRISET/Secunderabad,
IRMEE/Jamalpur,
IRIEEN/Nasik.

The Chief Admn. Officer (Con.),
S.E. Railway, Waltair.

The Principal,
RSC/Baroda.

The General Manager (Con.),
N.F. Railway, Guwahati.

SUBJECT: *Scrutiny and evaluation of tenders by the Tender Committee.*

A case has come to the notice of the Board wherein the Tender Committee have not taken into account all perspective and various other aspects with regard to the competitiveness and reasonableness of the rates during the execution of a contract.

Board have taken a serious view of the matter as the procedure followed in that case did not confirm to the extant instructions. It is, therefore, desired that instructions already issued under Board's letter No. 72/W-I/

CT/42, dated 17.11.1972 (copy enclosed) be strictly followed so that institutional interest is not allowed to be jeopardised in any way during the execution of a contract.

Receipt of this letter may please be acknowledged.

DA:A/A

Sd/-
(ARIMARDAN SINGH)
Director, Civil Engg.(G),
Railway Board.

GOVERNMENT OF INDIA (BHARAT SARKAR)

MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
RAILWAY BOARD

No.88/CE.I/CT/23 New Delhi, dt. 2.5.1988.

COPY

The General Managers,
All Indian Railways,
Including CLW, DLW, ICF &
MTP/Rlys., Calcutta.

The Officer on Spl. Duty,
Rail Coach Factory,
Kapurthala.

The Chief Admn. Officers,
MTP/Railways at Bombay and
Madras.

The Chief Admn. Officer
DCW/Patiala and COFMOW/
New Delhi.

The Chief Project Officer,
MTP/Railways, Delhi.

The General Manager,
Central Organisation Rly.
Electrification, Allahabad.

The Chief Admn. Officer (Con.),
Southern Railway, 18, Millers
Road, Bangalore.

The Principal,
IRISET/Secunderabad and
IRMEE/Jamalpur.

The General Manager Wheel &
Axle Plant, Bangalore.

The Director, IRICEM/Pune and
RSC/Baroda.

The General Manager (Con.),
N.F. Railway, Guwahati.

The Chief Admn. Officer (Con.),
S.E. Railway, Waltair.

SUBJECT: *Award of contracts procedure for conducting negotiations with contractors.*

A case has come to the notice of the Board wherein it is alleged that negotiations were held twice with the tenderers, but the reduction in rates was very negligible. Besides, the credentials of a tenderer were rejected after holding first round of negotiations with him.

Board have taken a serious view of the matter as the procedure followed in that case did not confirm to the extent instructions. Board, therefore,

desire that guidelines/clarifications in respect of holding of negotiations already issued *vide* Board's letter No. 67/W-I/2CT/32, dated 25.5.1968, No.73/W-I/CT/15, dated 15.3.1974 and No.77/W-I/CT/2 dated 29.4.1977 (copy enclosed) should be strictly followed.

DA:As above.

Sd/-
(ARIMARDAN SINGH)
Jt. Director, Civil Engg. (G)
Railway Board.

Copy of Board's letter No. 67/W-I/CT/32, dated 25.5.1968 from Joint Director, Civil Engineering, Railway Board, addressed to General Managers, All Indian Railways etc.

Award of Contract—Procedure for conducting Negotiations

The Board have had under consideration for sometime past the question of laying down broad guidelines of the procedure to be followed for conducting negotiations as the procedure in this regard does not appear to be uniform on all the Railways. While some Railways call for fresh bids (as a preliminary step to the conduct of negotiations) from all the eligible tenderers out of these who had quoted originally it is observed that on some other Railways negotiations are restricted to two or three of the lowest eligible tenderers without calling for any fresh bids (i.e. on the basis of their relative position against the original tender) as required in Board's letter No. 56-B(C)/298, dated 10.8.1961 and final bids are obtained from them only at the end of the negotiations.

2. The Board have carefully considered the matter and decided in supersession of all previous orders that negotiations with the tenderers should be conducted on the basis of the guidelines given below:

3. It should be clearly understood that selection of contractors by exception rather than the rules, and may be resorted to:—

(a) Where all the tenders are considered to be unreasonably high in value and it is felt that retendering would not secure better advantage to the railway, and/or,

(b) Where the lowest tender is technically unacceptable or is rejected because of unsatisfactory credentials, capacity or unworkable rates, and the next higher offers to be considered in accordance with the established procedure are found to be unreasonably high.

(c) Wherein the case of proprietory items of stores the price quoted is considered to be unreasonably high.

4. The decision whether to invite fresh tenders or to negotiate, and in the letter event, with whom to negotiate, could be taken by the competent authority after obtaining the Tender Committee's recommendations. The Board would, however, like it to be ensured that, except where a single quotation has been received in response to a call of a tender, the number of tenderers to be called for negotiations is not less than two. In no case, including where a ring is suspected, should negotiations be extended to the tenders who had either not tender originally or whose tender was rejected because of unsatisfactory creden-

tials, capacity or unworkable rates, or (in case of other than stores tenders only) whose tender was not accompanied by earnest money.

5. After the competent authority has decided to call specific tenders for negotiations, the letter should be addressed as laid down in Board's letter No. 6/W-II/CT/24, dated 31.10.1965 so that the rates originally quoted by them shall remain open for acceptance in the event of failure of the contemplated negotiations. Revised bids shall be obtained in writing from the selected tenderers at the end of negotiations and read out to such of the representatives of the tenders as may choose to be present. In case, however, any of the selected tenderers prefers to send a revised bid instead of being present at the negotiations, the offer should be taken into account.

6. The foregoing instructions may not be applied rigidly to tenders for specialised works and equipment where the tenderers may quote according to their own specifications and designs for various reasons such as improvements in technology etc. and it may become necessary to discuss technical and other details with them to select the most suitable offer. Such cases would necessarily be very few and far between and the procedure of conducting negotiations should be decided on the merits of each case is consultation with your FA & CAO.

7. Board desire that these instructions should be followed in respect of all contracts works, stores, commercial etc.

Receipt of this letter may please be acknowledged.

This disposes of Western Railway's letter No. W-623/5 Vol. III, dated 10.7.1967.

This letter may please be substituted for the Board's letter of even number dated 28.3.1968.

Copy of Railway Board's letter No. 73/W-II/CT/15, dated 15.3.1974 addressed to the General Managers, All Indian Railways and RDSO, Lucknow.

Awards of Contracts—Procedure for conducting negotiations

Please refer to Board's Circular letter No. 67/W-I/CT/32, dated 25.5.1968 on the above noted subject inter alia laying down the guidelines of procedure to be followed for conducting negotiations.

A case has come to the notice of the Board wherein it was alleged by one of the contractors that the Tender Committee, while conducting negotiations, showed favouritism to certain contractors by calling the successful tenderers last of all, which enable him to give the lowest rate, thereby implying that the Tender Committee leaked out the rates of other contractors to the last tenderer.

The Board have therefore, decided that henceforth the Tender Committee after obtaining clarification wherever necessary from each tender separately, should ask the tenderers to give their sealed quotations which should be opened by the Tender Committee in the presence of the tenderers or their representative who choose to be present.

Receipt of this letter may please be acknowledged.

Copy of Board's Letter No. 77/W-I/CT/2, dated 29.4.1977 addressed to All Indian Railways (General Managers), RDSO and MTPs, Delhi, Calcutta, Bombay and Madras.

Award of Contracts—Conduct of negotiations for

REF. *Board's letter No. 67/W-I/CT/32, dt. 25.5.1968 and No. 73/W-I/8/60(CT) dated 5.12.1973.*

A Case has come to the notice of the Board where a Tender Committee considered the offers received in response of to an open tender for removal of coal ashes as low and accordingly recommended negotiations. This course of action was approved by the accepting authority and, as a result of negotiations, better rates became available. The highest negotiated rate received was conditional and was not recommended by the Tender Committee. Instead, the Tender Committee recommended the second highest negotiated offer for acceptance. Before these recommendations were made, the party who had offered the second highest rate, gave a letter raising his offer by Rs. 5,000. The Tender Committee in their minutes of meeting mentioned about this revised offer, but did not recommend it for acceptance, on the ground that it was not received either in response to the tender, or at the time of negotiations. The tender approving authority accepted the recommendations of the Tender Committee and awarded the contract to the party of the negotiated rate.

It is true that the Tender Committee and the accepting authority should be guided by the offers received at the time of negotiations and the offer subsequently received should not vitiate the consideration of the tender. In this case, however, whether the subsequent increase by Rs. 5,000 was taken into account or not, the party to whom the tender was being awarded would have remained the same. Even if the more advantageous revised offer received after negotiations was accepted, the consideration of the tender would not have been vitiated. There is also no directive of the Board forbidding such a course of action.

The Board, therefore, observe that in this case the fundamental requirements of safeguarding Railways' financial interests have not been observed. This is being brought to the notice of the Railways for future guidance.

Please acknowledge receipt.

APPENDIX II

(Vide Para 2.20)

Composition of Tender Committee and Competent Authority for Approval for Purchase of Stores

Description of items (1)	Composition of Tender Committee (2)		Approving Authority (3)	
	Upto Rs. 3 crores	Over Rs. 3 crores	Upto Rs. 3 crores	Over Rs. 3 crores and upto Rs. 5 crores
1	2.2	2.3	3.2	3.3
1. Items of Rolling Stock & Spares such as wheel sets, CBC Couplers & its spares, bogies, LS springs and Roller Bearing Axle Boxes, other NTA items, Cartridge bearings, airbrakes.	JORS/DRS (Concerned) JDME/DME JDEE/DEE (for Elect. Rolling Stock) JDF (S)/ DF(S) (concerned)	EDRS(Concerned) EDME(Trac) for Loco items EDME(RS) for Wagon/Coaching items EDME(W) for P. UNITS EDEE(ERS) (for Elect. Rolling Stock) EDF(S).	EDRS (Concerned) EDF(S)	ADV(RS) EDF
2. *Sleepers*				
(a) Wooden	JDTK(M)/ DTK(M) RLO JDF(S)/DF(S)	ED Track (concerned) EDRS(S) EDF	E.D. (concerned) EDF	ADV.(CE) EDF(S)
(b) Concerete	JD Track/Dir. Track (Concerned) RLO JDF(S)/DF(S)	EDTK(M) EDRS(S) EDF	E.D.(concenred) EDF	Adv.(CE) EDF(S)

	(c) Metal	JD Track/Dir. Track(Concerned) JDRS/DRS (Concerned) JDF(S)/DF(S)	E.D. EDTK(P) EDRS(S) EDF-(Concenred) EDF	Adv.(CE) EDF(S)			
3.	Steel	DDRS(S) DDME/JDME	JDRS/DRS (concerned) JDME/DME JDF(S)/DF(S)	EDRS (concenred) EDME(W) EDF(S)	JDRS/DRS (Concerned)	EDRS (concerned) EDF(S)	ADV(RS) EDF
4.	Developmental items other than Signalling	DD(DEV) DDRS(G) DDF(S)	ED(Dev) JDRS(ES)/ DRS(ES) JDF(S)/DF(S)	ED(Dev)** EDRS EDEE(ERS) EDF(S)	JD(Dev)/ ED(Dev)	EDRS(P) EDF(S)	ADV(RS) EDF
5.	Signalling equipment including Point Machines, Lenses and Relays etc.	JDRS(ES)/ DRS(ES) JD(Sig.)/ D(Sig.) DDF(S)	JDRS(ES)/ DRS(ES) JD(Sig.)/D(Sig.) JDF(S)/DF(S)	EDRS (concened) ED-(Sig.) EDF	EDRS (concerned)	EDRS (concerned) EDF	ADV(RS) EDF(S)

**For Electrical Spares and Components.

1		2.1	2.2	2.3	3.1	3.2	3.3
6.	(a) Track items (Machines), equipment & Fittings required for track modernisation.	JD Track/Dir. Track (concerned) LDRS(G) DDF(S)	JD Track/Dir. Track (concerned) JDF(S)/DF(S) RLO	ED Track (concerned) EDRS(S) EDF	ED (concerned)	ED (concerned)	ADV(CE) EDF(S)
	(b) Other items including rails, Fish plates etc.	DD(Track) DDRS(G) DDF(S)	JDCE (concerned) DGE RLO, JDF(S)	EDTK(P) EDRS(S) EDF	JD/DIR. (concerned)	ED (concerned) EDF	ADV(CE) EDF(S)
7.	Lamps Electric for Railways Singalling	JDRS(ES)/DRS/ (ES)JD(Sig.)/ Dir.(Sig.)IDF(S)	JDRS(ES) /DRS (ES)JD (Sig.)/ Dir.(Sig.) JDF(S)/DF(S)	EDRS (concerned)ED(Sig.) EDF	EDRS (concerned)	EDRS (concerned) EDF	ADV(RS) EDF(S)
8.	Items required for Railway Electrification including imports	JDRE(S)/ DRE/(S) JDRE (E)/ DRE(S) DRE(S&T) (As necessary) DDF(S)	JDRE(S)/ DRE(S)JDRE (E)/DRE(S) EDRE(S&T) (As necessary) JDF (S)/DF(S)	EDRE ED-RE(S&T) (As necessary) EDRS(S)EDF	—do—	—do—	ADV(RS) EDF(S)
9.	Train Lighting Lamps & Train Lighting Cells etc.	JDRS(ES)/DRS/ (ES)JDEE(G)/ DEE(G)DDF(S)	JDRS(ES)/ DRS(ES) JDEE(G)/ DEE)(G)JDF(S)/ DF(S)	EDRS (concerned) EDEE(G) EDF	EDRS (concerned)	EDRS (concerned) EDF	ADV(RS) EDF(S)

10.	Turbo Generator, Brushless Alternators and R.C. Fans etc.	JDRS(ES)/ DRS/(ES) JDEE (G)/ DEE(G) DDF(S)	JDRS(ES)/ DRS(ES)J-DEE(G)/ DEE(G) JDF(S)/ DF(S)EDR-S(S)ED-ME(RS)JDF(S)/ DF(S)	EDRS (concerned) EDEE(G) EDF	—do—	—do—	—do—	
11.	Boiler & Flue Tubes and Super Heater elements	DIRS(S)/JIME/ MDE (condd) DLF(G)	EDRS(S) /ED-ME(RS) JDF(S)/ DF(S)	EDRS (concd) ED-ME(RS) EDF(S)	EDRS (conced)	EDRS(P) EDF(S)	ADV(RS) EDF	
12.	Screw couplings and Transition Screw Coupling, Rubber Buffer Springs, R.B. Axle Boxes for Steam Locos.	JDRS(ES)/ DRS/(ES) JDME/DME DDF(S)	JDRS(ES) / DRS (ES) JDME/DME JDF(S)/DF(S)	EDRS (concd) ED-ME(RS) EDF(S)	—do—	EDRS (concerned) EDF (S)	—do—	

1		2.1	2.2.	2.3	3.1	3.2	3.3
13.	P.O.L. Produots	JDRS (POL)/ DRS(POL) JDME/DME (concerned) DDF(S)	JDRS(POL)/ DRS(POL) JDME/DME (concerned) JDF(S)/DF(S)	EDRS(c) EDME(Tr) EDF(S)	EDRS(G)	EDRS(C) EDF(S)	ADV(RS) EDF
14.	Crossings and Switches	DD(Track) DDRS(G) DDF(S)	JD (Track/Dir. Track (concerned) RLO JDF(S)/DF(S)	EDTK(P) EDRS(S) EDF	JD/Dir (concerned)	ED(concd) EDF	ADV(CE) EDF(S)

NOTE:—

1. (i) All purchase proposals not involving foreign exchange, valued over Rs. 5 crores and upto Rs. 15 crores will be submitted to MOS(R) for acceptance and proposals valued over Rs. 15 crores will be submitted to M.R. for acceptance through Adv. (Finance), Functional Member and Financial Commissioner. However, matters pertaining to policy, price preference to indigenous manufacturers etc. will continue to be submitted to M.R.

(ii) All purchase proposals involving foreign exchange of value upto Rs. 3 crores will be submitted to Adv(RS) and over Rs. 3 crores to M.R. through Adv(Fin), Functional Member and Financial Commissioner.

2. The total value of the tender will be the criterion to decide the competent authority for approval where purchases proposals against the tender are put up in parts.

3. Whenever a reference to EDME (concerned) has been made, the definition of the particular EDME may be as per Office Order No. 27 of 1986.

4. The tender Committee at respective levels shall comprise of officers dealing with the subject in the procurement and consumer Directorates with association of Finance as indicated in the statement. For any clarification regarding constitution of Tender Committee at any level, the same will be given by EDRS(G) and EDF(S)/EDF.

5. The designation of Joint Director will also include powers to be excercised by Director.

6. For those Directorates where there are no Joint Directors, dealing with any particular item/items of stores, concerned ED will sit in T.Cs below Rs. 3.00 crores and accepting authority will be EDRS or ED(Track) along with EDF(S).

7. The tenders valued above Rs. 5 crores for indigenous items and over Rs. 2 crores for item involving foreign exchange received from Railways/ Production Units shall be examined by the Appreciation Committee in terms of 0.0. No. 40 of 1988 consisting of:—

(i) for stores items—EDRS(G), ED of the concerned Tech., Directorate and EDF(S)/EDF.

(ii) for track items—ED/Track, EDRS(S) and EDF(concerned).

The recommendations shall be put up to the approving authority as indicated below:—

1. For indigenous items other than track:—
   (a) above Rs. 5 crores and upto Rs. 15 crores—MOS(R) through Adv(RS), Adv(Fin), Functional Member and Financial Commissioner.
   (b) above Rs. 15 crores—M.R. through Adv.(RS), Adv(Fin), Functional Member and Financial Commissioner.
2. For indigenous Track items:—
   (a) above Rs. 5 crores and upto Rs. 15 crores—MOS(R), through Adv(CE), Adv(Fin), Functional Member and Financial Commissioner.
   (b) above Rs. 15 crores—MR through Adv(CE), Adv(Fin), Functional Member and Financial Commissioner.

8. All tender cases requiring procurement of stores which are submitted to the MOS(R)/MR for approval should be routed through Adv(RS).

APPENDIX III

(vide para 2.60)

Value of physical stocks other than fuel and permanent way item held on the depots as on 31.3.1991
(excluding suspense heads and adjustment)

(Figures in Crores)

Rlys. P. Units	Steam loco items	Diesel loco items	Electrical item	Carriage & Wa gons	Metal Ferrous	Metal Non-Ferrous	Scrap	Others	Total
C.R.	1.34	16.37	3.87	9.84	6.63	0.61	3.87	20.64	63.17
E.R.	0.53	3.24	2.13	2.19	4.78	1.18	0.58	15.79	30.42
N.R.	1.52	16.30	3.68	9.03	1.98	0.89	7.42	21.93	62.75
N.E.	1.52	3.77	—	3.92	3.55	0.30	4.28	9.15	22.49
N.F.	0.49	5.94	—	4.30	2.21	0.51	0.68	5.71	19.84
S.	1.02	7.05	2.90	13.96	7.48	0.50	4.01	17.96	54.88
S.C.	1.36	6.11	1.53	7.96	3.68	0.86	4.43	13.78	39.71
S.E.	1.33	8.04	2.64	7.93	5.96	0.43	5.01	12.59	43.93
W.	3.56	13.75	2.04	13.92	4.17	0.98	6.21	19.53	64.16
C.L.W.	0.01	10.35	18.33	—	10.40	1.19	0.31	5.80	46.39
DLW	—	43.46	—	—	8.59	0.39	0.28	4.48	57.20
ICF	—	—	—	12.40	23.25	1.46	2.09	13.66	52.86
DCW	—	9.00	3.95	—	2.12	0.14	0.05	1.82	17.08
WAP	—	—	0.83	—	5.01	0.23	3.41	12.30	21.78
RCF	—	—	1.95	4.80	7.06	0.02	0.03	1.99	15.85
Total	12.68	143.38	43.85	89.25	96.87	9.69	42.66	177.13	612.51

APPENDIX IV

(vide para 3.3)

Surplus and obsolete materials scrapped as percentage of annual value of scrap disposed off

Rly.	1985-86	1986-87	1987-88	1988-89	1989-90
C	—	—	—	—	—
E	0.01	0.05	0.21	0.05	0.06
N	0.06	0.04	0.04	0.07	0.02
NE	0.07	0.03	—	0.01	0.01
NF	—	—	—	—	—
S	—	—	0.01	0.04	0.02
SC	0.20	0.01	0.02	—	0.01
SE			insignificant		
W	0.02	0.49	0.09	0.11	0.15
P. UNITS					
CLW	2.00	—	—	—	3.00
DLW	—	—	—	—	—
ICF	—	—	0.13	0.07	0.05
W&AP	—	—	—	—	—
RCF	—	—	—	—	—
DCW	—	—	—	—	—
Metro Rail	—	—	—	—	—

APPENDIX V
(vide para 3.6)

Guidelines issued by Railway Board for Disposal of Scrap

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No: RS (S)/81/709/21. New Delhi, dated 29.5.1982.

The General Manager (Stores),

All Indian Railways,

CLW, DLW & ICF.

SUBJECT: *Review of policy and procedure to disposal of scrap on Indian Railways.*

A Committee consisting of senior officers of Eastern and Central Railways was appointed by the Board vide their letter No. 80/709/23/RS (S). CA III dated 30.6.81 to examine the various aspects/problems relating to disposal of scrap and to review the procedure therefor. The main points in the terms of reference for examination by the Committee were:—

(i) Condemnation and disposal of overaged and condemned Rolling Stocks.

(ii) Formation of Cartels by bidders in auction.

(iii) Sale of scrap to small scale sector and examine procedure adopted by units of SAIL with particular reference to the sale of scrap to the small scale industrial units and comments on the extent to which SAIL model is of relevance to the Railways.

The Committee submitted its report on 27.7.1981. The recommendations of the Committee have been examined by Board in details and Board have decided to accept most of the recommendations.

The specific point of reference, the Committee's recommendation thereon and Board's decision on the recommendations made by the Committee are indicated in the Annexure.

It is desired that the recommendations of the Committee as accepted by the Board may be implemented forthwith.

This Issues with the concurrence of finance directorate of this Ministry.
Receipt of this letter may please be acknowledged.

Sd/-
(K.P. VARMA)

D.A. One.

Addl. Director, Railway Stores (Steel)
Railway Board.

Item No. 1—System of despatch of scrap from various arising points to the nominated depot/yards/points sorted scrap and mixed scrap.

The Committee has recommended that no useful purpose will be served by segregating the different types of scrap since the scrap is generally sold in a scrap depot through auction and the bidders get a fair idea of the composition of a lot and give their bids accordingly. Segregation will only slow down the pace of disposal, which should be avoided in the context of limited space available in the scrap Depots. All identifiable high value scrap should, however, be excluded from sale and steps should be taken to ensure that these are not lifted by the purchasers.

Board have decided that in case of receipt of mixed scrap, scrap depot should segregate into broad identifiable classification *e.g.* melting rerollable, industrial cast iron etc. Aslo excluded items like springs, screw couplings etc. which are mixed with say melting scrap should be specifically mentioned as excluded items while offering a particular lot for auction.

Item No. 2—Witnessing of weighment by representatives of Accounts, R.P.F. on receipt of scrap in Stores Depots.

The Committee has not recommended the system of witnessing the unloading and weighment of incoming wagons containing scrap by Accounts and R.P.F. Staff for following reasons:—

(i) The wagons are weighed and unloaded even beyond normal depot hours, full scale association of the personnel from Accounts and security Departments would result in detention of wagons thereby incurring heavy demurrage charges.

(ii) The contents of wagons are in ariably of mixed nature and these will have to be segregated under broad categories of melting, industrial and rerollable scrap and also identifiable scrap items will have to be removed. it will not be possible to pinpoint the actual quantity received of different types of materials by witnessing the weighment of wagons only.

Board have decided that witnessing of weighment by representatives of Accounts and R.P.F. on receipt of the scrap in stores Depot shouls be followed in the case of non-ferrous scrap only.

Item No. 3—System of formation of optimum size of lots of scrap for the purpose of disposal by auction/tender.

The Committee has recommended that there should be no legislation on the optimum size of lots for the purpose of disposal as the size of the

lot depends upon the type of scrap, point of disposal, finnancial capacity of the purchasers. However, the Committee has suggested that the size of lots should be such that its value should be preferably be within Rs. 2 lakhs and should normally not exceed Rs. 5 lakhs. By having smaller lots, small scale industrial units will be able to participate in auction/tender sales.

Board have accepted the recommendation of the Committee.

Item No. 4—Review of procedure for condemnation and disposal of overaged and condemned Rolling Stock-Suggestions for expeditious disposal.

The Committee has recommended that in respect of overaged rolling stock the disposal should be arranged on the basis on condemnation certificate given by the C.M.E. and no separate sanction from G.M. with finance concurrence should be necessary as is being done on some of the Railways.

Since existing instructions regarding codemnation of rolling stock are more liberal, a copy each of Board's letter No. 74-M(N)/951/19, dated 16-10-74, No. 76-M(C)/650/14, dated 30-6-76 and No. M(L)/467/1001, dated 8-8-79 on the subject are enclosed for strict compliance.

Item No. 5—System of disposal of scrap with a view to ensuring Board based participation of bidders with special empahsis on participation of firms registered as small scale units but at the same time ensuring the Railways to obtain the best possible prices of scrap and also there is no delay in lifting of scrap.

With a view to help the S.S.U.'s participation in auction the Committee has recommended that the Railways should send a few copies of the auction catalogues to the relevant Directorates of the State Government as well as to NSIC & SSI, for circulation amongst their constituents. This will enable such units to keep informed of such auction sale and participate in the same to their advantage. However, these small scale units should also fulfil the auction conditions.

The recommendations of the Committee are accepted by the Board.

Item No. 6—Examination of system of auction with particular reference to formation of cartels by bidders

The Committee has observed that formation of cartels is avoided to a very large extent by rejecting the bids lower than the reserve price which itself is fixed realistically. Further smaller lots are normally formed which ensures larger participation. In this connection the committee has suggested:—

(i) Lots rejected during one auction should be quickly reauctioned in the next auction even in a sister depot without physically shifting the lot to enable multiple opportunity for obtaining better price for the lots at different locaitons. This will reduce ring formation.

(ii) A system of obtaining refundable entry fee from the bidders should be introduced on all Railways.

(iii) Auction should be held departmentally and if necessary by creating a suitable organisation on the Railways.

(iv) If Railways are not able to sell any particular lot in auction due to cartel formation attempts should be made to dispose of the lots through tender. The system of 10% earnest money deposit in case of sale tender be relaxed and brought at par with purchases tender.

The Board have accepted the recommendations of the Committee, except of change in quantum of earnest money deposit on par to the purchase tender as suggested in item IV above. The existing system should be followed.

As regards introducing a system of charging refundable entry fee the Board have decided that the entry fee should be fixed based on the annual sale value of scrap sold on the Railways as recommended by the Committee for this purpose, the Zonal Railways have been classified into three groups depending upon their sale value Group 'A'—Annual sale value less then Rs. 4 crores, Group 'B'— Annual sale value above Rs. 4 crores but less than Rs. 8 crores, Group 'C'—Annual sale value above Rs. 8 crores.

The Committee recommendation that entry fee of Rs. 500/- per head where annual sale value is within Rs. 4 crores (*viz.* NE, NF, CLW, DLW, ICF), Rs. 1,000/- per head where annual sale value is between Rs. 4 crores and Rs. 8 crores (SC Rly.) and Rs. 2,000/- per head with annual sale value above Rs. 8 crores (ER, SR, NR, SE, CR & WR) has been accepted. The entry fee will be in the form of Bank Draft only. The entry fee is liable to get forfeited in the event of any untoward conduct on the part of the bidder in contravention of the governing auction proceedings. A clear stipulation to this effect should be incorporated in the relevant auction catalogue.

(Necessary amendment to relevant clauses governing general conditions of sale by auction in annexure X of the stores code will be issued in due course).

Item No. 7—Expeditious desposal of scrap Review for improving/streamlining at different stages of disposal viz. holding of frequent and regular auctions, collection of value of lots and issue of sale orders, delivery/despatch of scrap, method of loading and delivery to be reviewed and examination conducted whether lorry delivery can be eliminated.

The Committee has recommended that:—

(i) On the dates of auctions cash office on the Railways should function even beyond normal hours to receive the proceeds of the auction. This will enable the sale of maximum number of items during a particular auction.

(ii) Auction should be held in each depot at least one in a month.

(iii) As a uniform measure there should be a single instalment for balance payment upto Rs. 2 lakhs, two instalments between Rs. 2 to Rs. 5 lakhs and three instalments above Rs. 5 lakhs and these powers should be vested with the auction conducting officer. Where additional instalments are demanded by bidders, such cases only should be referred to Headquarters office on the basis of conditional offer.

(iv) For early payment an incentive ½% of the value of the lot should be extended in case the balance sale value is paid within half of the normal time otherwise prescribed in the auction conditions.

(v) Similarly an incentive 1% for early removal of the lot for every week ahead of the terminal date, should be allowed. The terminal date will be the one which is indicated in the auction conditions and will not take into consideration any extended delivery period.

(vi) Ground rent should be levied uniformally @½% per day of the value of the unremoved quantity subject to minimum of Rs. 10/- per day per lot.

(vii) The existing ban on extension of the time for balance payment with interest charges beyond 8 weeks in terms of Board's circular letter No. 64/PS(G)/779/APP XIII-B/CP dated 29.6.1979 may be removed.

Board have accepted the recommendations made by the Committee. The value of interest to be charged in the case of extension of time should be 2% higher than normal lending rate of Banks.

Item No. 8 Security arrangement for scrap, effective preventive measures to guard against dumping of fresh scrap arising on lots already surveyed and undergoing delivery.

Committee has observed that with the existing system of checks by vigilance as well as presence of security staff round the clock the chances of fresh arisings being mixed with the lots already sold are minimal. However, as a long term measure, Rlys. may be advised to plan out their scrap disposal with the facility of twin yard system.

The recommendations made by the Committee have been accepted by the Board.

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

.....

No. 74/M(N)/951/19 New Delhi, dated 16.10.1974.

The General Managers,
All Indian Railways.

SUBJECT : *Condemnation of wagons.*

REF. : *Board's letter No. 70/M(N)/951/19 dt. 7.6.72.*

With the creation of the posts of Additional Chief Mechanical Engineers and upgradation of certain posts of Works Managers and Divisional/ Mechanical Engineers in Sr. scale to that of the Jr. Administrative Rank, the question of delegation to them the powers with regard to condemnation of wagons has been considered by the Board and they have decided that para 2 of this Office letter quoted above should be substituted by the following:—

"2(a). For streamlining the procedure for inspection/certification before condemnation of rolling stock, it has already been laid down *vide* Board's letter No. 71/M(C)/4/4 dt. 28.7.71, 20.10.71 and No. 71/M(N)/951/19 dt. 4.1.72 that in workshops, Works Manager or any other Mechanical Officer higher in rank than Works Manager whoever is incharge of the workshop can condemn the overaged goods stock after his personal inspection. In such cases he need not seek formal approval of the Additional Chief Mechanical Engineer or Chief Mech. Engineer but the latter should be kept posted with all such cases of condemnation so that the records in the Headquarters Office are corrected and kept up-to-date. With regard to underaged goods stock, Workshop Manager or anyother Mechancial Officer higher in rank than Works Manager whoever is incharge of the Workshop can recommend its condemnation after his personal inspection. In such cases prior approval (not personal inspection) of the Additional Chief Mechanical Engineer or Chief Mechanical Engineer is, however, necessary.

(b) On the Division, the goods stock, whether underaged or overaged, is required to be personally inspected by a Mechanical Officer of a rank not lower than of Dy. Chief Mech. Engg. before condemnation. After inspection, overaged stock can be condemned

by that officer but the Addl. Chief Mech. Engg./Chief Mech. Engg. should be informed. For the condemnation of underaged goods stock, however, prior approval of Addl. Chief Mech. Engg./Chief Mech. Engg. should be obtained.

(c) In all the above cases, final advice to all concerned about the condemnation should however be issued by the Headquarters Office."

2. This issues in supersession of Board's letter of even number dt. 5.7.74. (This also disposes of N.F. Rly.'s letter No. M/278/0/1/Rs. dated 29.7.74).

3. Please acknowledge the receipt.

sd/-

(H.H. MUKARJI)

Jt. Director, Mech. Engg. (RS)

Railway Board.

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

.....

No.: 76/M(C)/650/14 New Delhi, dt. 30.6.1976

The General Managers,
All Indian Railways.

SUBJECT : *Condemnation of coaches.*

REF. : *Rly. Board's letter No. 56/949/3/M dated 23.3.57 and 7.2.58 and subsequent amendments thereto — issued from time to time.*

In supersession of all previous instructions issued on the above subject, it has been decided that Railways need not approach this Ministry for prior approval for condemnation of underaged or overged coaches as long as replacements are planned. In other words Ministry of Railways' prior approval to the condemnation of coaches will be required only if the coach proposed for condemnation is not intended to be replaced, implying thereby a reduction in authorised stock. However, the conditions already laid down in para 716-GI with regard to the preparation of financial justification should continue to be fulfilled and Finance concurrence obtained in all cases of premature condemnation irrespective of the fact whether the coach is replaced or non-replaced but such concurrence is however, not necessary for condemnation of overaged coaches whether replaced or non-replaced.

2. For streamlining the procedure for inspection/certification before condemnation of rolling stock, it is now authorised that in workshops, Works Manager or Dy. EME whoever is the incharge of the Workshop can condemn overaged coaching stock after his personal inspection and recording the condition report, on the same lines as is being done in the case of condemnation of wagons under this Office Letter No. 70/M(N)/951/19, dt. 7.6.72. In such cases, he need not seek formal approval of the Addl. CME (C&W)/CME but the latter should be kept posted with all such cases of condemnation so that the records in the Headquarters Office are also corrected and kept up-to-date. With regard to underaged coaching stock, Works Manager or Dy. CME whoever is incharge of the workshop can recommend its condemnation after his personal inspection. In such cases prior approval (not personal inspection) of the CWE or CME is, however, necessary. On the Divisions, the coaching stock whether underaged or overaged is required to be inspected by any of the

Dy. CME/Sr. DMEs or Addl. CME (C&W)/CWE/CME during his inspection tours, before the condemnation is approved.

3. In all cases of condemnation of coaching stock a detailed condition report of the coach is to be prepared and kept for record.

4. Please acknowledge the receipt.

Sd/-
(M.S.D. JETLEY)
Addl. Dir. Mech. Engg. (RS)
Railway Board.

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 79-M(L)/467/1001 New Delhi, dated 8.8.79.

The General Managers,

All Indian Railways.

SUBJECT : *Condemnation of overaged Steam Locomotives.*

REF. : *Board's letter No. 56/649/3/M dt. 21.11.57.*

In terms of para 716-GI preparation of financial justification is not necessary for condemning Rolling Stock in cases of overaged stock due to be replaced by virtue of their age but condemned before replacement. In Board's letter referred to above, Railways were advised that through detailed financial justification need not be prepared, all proposals for condemnation of rolling stock should invariably have concurrence of the Financial Adviser & Chief Accounts Officer.

2. The position has been reviewed and it has been decided that in partial modification of the orders contained in Board's letter No. 56/649/3/M dated 21.11.57 such condemnation proposals in respect of overaged stock need not be sent to Headquarters Finance of the Railway but it would be sufficient if these are vetted by Workshop Accounts Officer or Deputy Chief Accounts Officer (Workshop) to expedite matters.

3. This issues with the concurrence of the Finance Dte. of this Ministry.

4. The receipt of this letter may please be acknowledged.

(This disposes of Northern Rly.'s letter No. 498.M/O Pt.V(L-I) dated 20.1.1979).

Sd/-

(Y.P. GUPTA)

Dy. Director, Mech. Engg.

Railway Board.

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

.....

No. 86/RS(S)/709/14 New Delhi, dated 14.4.1987.

To,

The General Managers,
All Indian Railways,
CLW/Chiitaranjan, DLW/Varanasi,
ICF/Madras, W&AP/Bangalore,
Metro Rail/Calcutta,
GM (Construction),
NF Railway,
DG/RDSO, Lucknow.

The Chief Administrative Officer,
Railway Electrification, Allahabad,
RCF, Kapurthala, DCW, Patiala,
COFMOW, New Delhi
CAO's (Construction),
Central Railway/Bombay,
SE Railway, Waltair.

SUBJECT: *Policy and Procedure for efficient and speedy disposal of scrap.*

....

The question of streamlining the policy and procedure for efficient and speedy disposal of scrap has been engaging the attention of the Board for quite some time. For this purpose, the matter was deliberated at length in a workshop for COSs which was held in July, 86 in the Board's Office, the minutes of which were forwarded *vide* the Board's Letter No. 86/PS(S) 709/14 dated 24.7.86.

2. On further consideration of the matter, the Board have decided the following:

(1) Whenever disposal of scrap is not progressing at a satisfactory level, the auction supervising officer may be authorised to accept a price below the reserve price under his discretion upto a certain limit (say 10%) to be fixed by the COS in consultation with FA&CAO by recording reasons therefor.

(2) In addition, in cases where the disposal does not still improve, a Committee may be nominated consisting of Jr. Administrative

Grade/Sr. Scale Officers of Stores and Finance Deptt. respectively who should be deputed to supervise the auction and to decide regarding the disposal of scrap on the spot. The extent to which such a Committee can exercise their discretion to accept bids below the reserve price may be laid down in the same manner as in item (1) above.

(3) *Size of the lot:* Size of the lot should be kept as small as convenient and practicable and it should not normally exceed the limit of 1000 tonnes. The depot officer may however form a bigger size lot (initial lot) where considered expedient with the prior permission of COS and FA&CAO and subject to overall delivery period not exceeding 120 days.

(4) *Publicity:* Auction notice, indicating date time and venue of auction with broad nature of the items to be auctioned, should appear in the national press as also in the periodical publications of the scrap associations sufficiently in advance allowing a notice period of not less than 30 days.

Auction catalogue indicating various details regarding quantity of scrap and size of lots, payment and delivery terms, date, time and venue of sale, etc. should be sent eight days in advance, free of charge, to the prospective bidders even in the case of departmental auctions.

(5) *Reserve Price:* Instructions already exist that reserve price should be fixed based on the bids obtained in the past auctions as also on information like published market rates of similar material, recent auction rate of similar material in nearby depots, etc. In this connnection, the instructions contained in the Board's letter No. 74/709/37/RS(S) dated 25.2.83 shoud be referred to.

(6) *Payment Time:* Instructions already exist that 100% payment is to be made for sale value upto Rs. 2000, 25% (subject to a minimum of Rs. 2000) in case of sale value above Rs. 2000 but upto Rs. 10,000 and 10% (subject to a minimum of Rs. 2,500) in case of sale value exceeding Rs. 10,000 and that a maximum period of 10 days is to be allowed for sale value upto Rs. 1 Lakh, and 20 days for sale value exceeding Rs. 1 lakh. In this connection, the Board's letter No. 69/PS(S)/709/22 dated 26.2.77 may be referred to. In exceptional cases, however, more time may be permitted at the discretion of COS in consultation with FA&CAO. This is, however, subject to such announcement being made prior to bidding of the lot.

(7) *Delivery Time:* Normally, delivery period should be kept within 90 days. Delivery period of upto 120 days may be allowed for sale value exceeding Rs. 20 lakhs. In exceptional cases where proper bids are not forthcoming, the same may be allowed upto 180 days at the discretion of COS in consultation with FA&CAO provided the

same is announced *before* the bidding of the lot but such powers should be used very sparingly.

(8) *Earnest Money in Tender Sale:* Instructions were issued by the Board *vide* their letter No. 86/RS(S)/709/14 dated 5.12.86 permitting earnest money, in tender sale, upto 5% of the estimated sale value subject to a maximum of Rs. 50,000 with the stipulation that full 10% security deposit should be made by the successful tenderer before ordering sale. These instructions are applicable upto 31.3.87. It has now been decided that these instructions should be implemented as a regular measure. The Railway should return the earnest money to unsuccessful bidders within the shortest possible time after the bids are evaluated and the successful bidder selected.

(9) *Preventing local/undesirable interests from manipulating auctions:* The auction supervising officer is at liberty to withdraw a lot from auction if a ring is suspected and even cancel the total auction if he finds that a ring persists and that some interested parties are trying to exert pressure and intimidate other willing bidders. In such cases, the reasons/circumstances shall be recorded by the auction supervising officer.

(10) *Miscellaneous:*

(a) Financial concurrence should be obtained where it is required in terms of existing code rules and Board's instructions.

(b) Railway should subscribe for one daily newspaper like *Economic Times/Financial Express* and one periodical dealing with scrap for each depot, besides what is already being obtained in COS's Office.

(c) The scrap depots should be inspected regularly by a Senior Administrative Officer of the Stores Department to improve administration thereof.

(d) All scrap depots need to be provided with effective boundary walls.

3. This issues with the concurrence of the Finance Dte. of the Railway Board.

4. Receipt may kindly be acknowledged.

Sd/-
(NARENDRA SAHU)
Ex.Director, Rly. Stores(S),
Railway Board.

APPENDIX VI

Statement of Recommendations/Conclusions

Sl. No.	Page No.	Para No.	Recommendations/Concusions
1	2	3	4
1.	41	2.61	Materials Planning and Inventory Management have an imprtant role to play in the efficient working of the Indian Railways. At present, the overall annual purchases of the Railways amout to about Rs. 6,200 crores. However, at present inventory functions, including purchasing, tend to be more of observance of rules and regulations rather than analysis of costs. The present system of purchasing tends to compare the lowest acceptable quotation with the last purchase price for the purpose of justification. This weakness on the part of the Railway Board needs to be rectified. The Committee are of the view that the system of material planning and inventory control in Indian Railways need total streamlining. The Committee feel that the scope for value engineering and effecting savings is yet to be explored in the Indian Railways and, therefore, recommended that the Ministry of Railways should introduce the system of cost analysis to establish economy buying. Although, according to the Railway Board, this is a time taking process but this type of analysis should be undertaken for major components like points and crossings, bogies, wagons etc. Absence of cost analysis leads to cartel formation, dictation of prices and cost-plus contracts in the case of purchase of wagons, bogies and other rancillary rolling stock items. Inventory Management is a specialised function and it should be allowed to remain so.
2.	41	2.62	After going into the details regarding the existing tendering process in Railways the Committee feel that a proper, systematic and thoughtful approach will have to be taken while calling tenders, especially

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			the limited tenders. From the figures of 1991-92 it is seen that out of 1,81,038 tenders called by the Indian Railways, 1,61,517 *i.e.* more than 89% were limited tenders. It is a matter of common knowledge that in Limited Tender purchase, the bidders from a cartel and prices. Even the Ministry of Railways have admitted that 'Where high prices are suspected due to ring formation, negotiations are held to bring down the prices.' The Committee recommended that the Ministry of Railways should go into the matter de-novo and make an indepth exercise to ensure that sufficient number of suppliers are registered with the Indian Railways and doors are not closed for new manufacturers to register themselves. The Committee presume that while making purchases particularly of substantial amount namely Rs. 1 crores and above, tenders are floated in all cases and purchases are not being made on ad-hoc basis or on the basis of repeat order.
3.	42	2.63	The value of purchases made by Indian Railways has gone up considerably from Rs. 2053 crores in 1983-84 Rs. 6213 crores in 1991-92. For a big, well spread organisation like Indian Railways with enough purchasing power lying in the hands of Zonal Railways/ Production Units, it is often noticed that one Zonal Railway is procuring one item on proprietary basis while another is purchasing the same item at a much lower rate through competitive bidding. Even the Railway Board admitted that under the existing system, 'Some variations are likely to occur'. The Committee are of the opinion that the only answer to this problem is Regionalisation of Purchase, with a centralised computer system in all the metropolitan cities of Bombay, Calcutta, Delhi and Madras. By introducing such a system, the Railways can ensure better availability of stores at competitive prices. The requirements of the Zonal Railways/Production Units can be clubbed together to get the benefits of bulk purchase. On the other hand, such a system will encourage the establishment of more manufacturing units, which are otherwise very few in the Country at present owing to low procurement by the Railways.

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			The Estimates Committee (1986-87), in their 25th Report, had recommended on similar lines. The Com mittee, therefore, recommended that the scheme of regionalisation of purchase may be implemented forthwith and without any further delay. The Committee feel that it would not be difficult for the Ministry of Railways to implement this because, as of today, 6 out of 9 Zonal Railway Headquarters are located in these four Metropolitan cities.
4.	43	2.64	The Committee find that the amount of Annual purchase through DGS&D by Indian Railways has come down from 27% in 1981-82 to 17% in 1991-92, of which nearly 2/3rd of the annual value of purchase from DGS&D comprises of High Speed Diesel, Lubricant Oils and Greases. The Committee are surprised to note the dual purchase policy adopted by the Ministry of Railways with regard to procurement of fuel. The Railway Board procure coal from Coal India Limited, a Public Sector Undertaking, but with regard to HSD, they approach DGS&D. The Ministry of Railways have admitted that their experience with DGS&D has not been satisfactory and there has been delay in coverage of demand. The Committee find no reason why the Ministry of Railways should not procure HSD, directly from Indian Oil Corporation, also a Public Sector Undertaking, on the same lines as they are procuring coal from Coal India. They strongly recommend that for all purchases made from other Public Sector Undertakings and where rate of an item is fixed by Government of India, the Railways should procure such items directly. This will help Railways in not only saving a substantial amount in purchase and on inspection charges, but there will be a drastic cut in the lead time with lesser stock-outs and lower inventories.
5.	44	2.65	The Committee find that out of 67,436 tenders, a total of 11,784 tenders were awarded on the basis of negotiations during the last 5 years. Under the present purchase system, where cost analysis does not exist and 89% of tenders are called under Limited Tender Category, the Committee feel that the percentage of such 'negotiated tenders' will rise as has already been admitted by the Railway Board that

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			'where high prices are suggested due to ring formation, negotiations are held to bring down the prices'. The Committee, therefore, recommended that the Indian Railways should find some alternative to curb this tendency of 'negotiated tendering process' as such measures will protect the Ministry of Railways from the so-called allegations of kick backs. They may study the system adopted by other countries having a good railway system e.g. Japan and U.K.
6.	44	2.66	After considering the growth in the volume of railway purchases during the last decade, the Committee observe that there is an urgent need for induction of an additional Member at the Board Level to provide leadership, guidance in the Stores Department and thereby bringing greater efficiency and economy. During evidence, the Ministry of Railways had stated that 'in pursuance of Government of India directive for economy, the number of post of Member in Railway Board has been reduced from seven to six. Hence, against this background, it is not considered opportune to upgrade the post of Advisor (Sotres) to Members (Stores)'. But taking into account the value of annual purchase, which is more than Rs. 6200 crores, the Committee are of the view that the argument of Railway Board is not convincing. The Committee feel that there is not need to have two separate Departments basing upon the mode of traction i.e. for Electric Locomotives and and Diesel Locomotives. It would be more appropriate if the two Departments i.e. Electrical and Mechanical are merged under one head namely Member (Traction) and a post of Member (Stores) is created to manage the same. This would also avoid unnecessary bias and unhealthy competition between Electrical and Mechanical Departments. Thereby, there will be no duplication of maintenance facilities. The post of Member (Traction) can be held alternatively by officers belonging to the Mechanical and Electrical Cadres. The Member (Stores) can also look after the Production Units.
7.	45	2.67	The Committee find that in order to ensure uninterrupted supply of stores for operations, maintenance

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			and inhouse manufacturing activities, the Zonal Railways, Production Units and Construction Projects have 206 stocking stores depots spread over length and breadth of the country. These depots stock over 2.8 lakhs items, comprising of over 1,00,000 unique items stocked in more than one location, to ensure timely availability of essential items for efficient operation of the Railways. Keeping in view, the very large number of items handled in the Railways and the need for accurate records, the Railway should go in for gradual computerisation. To begin with, the Committee recommended that each store depot should furnish details of stock with them alongwith their future requirements to the Railway Board who may feed all the requisite information in a computer so that there may not be any duplicacy in purchase of stores by different Zonal Railways. Such a step would also help the Ministry of Railways to curbe the tendency of procuring such items in Zonal Railways which are lying unused in another Zonal Railways.
8.	59	3.25	The Committee feel that the procedure of disposal of scrap in the Inian Railways needs considerable improvement. The Ministry have stated that while disposing rails, etc. they go by measurement and not by the weight. By this process, there is enough chance of under-valuation of scrap. For the Eighth Plan period the Railways are giving more emphasis to guage conversion programme. This will generate huge amount of steel scrap. To get better value for the scrap, the Ministry should modernise the existing system by providing weigh bridges at all railway yards. All incoming and outgoing scrap from the yards should also be weighed so that the percentage of pilferage can be detected.
9.	59	3.26	The Committee are surprised to note that even a huge organisation like the Indian Railways appoint private auctioneers for auction of scrap. The Committee strongly recommend that this system should be substituted by introducing the system of auctioneering under the Stores. The Committee feel that the Railways will get more competitive price for the scrap as the possibility of private auctioneer colluding with the bidder will be ruled out.

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10.	59	3.27	The Committee further observe that large scale improprieties do occur by way of cartel formation and dictation of price by such a cartel during auctioneering of scrap. The Ministry of Railways have also admitted before the Committee that 'it is known that attempts to form a ring are not rate'. Hence, the Committee feel that by introducing a system of inviting tenders for disposal of scrap, the Indian Railways can stop formation of rings by the bidders. Adequate police protection may be provided to help the highest bidder to carry the scrap to his place.
11.	67	4.14	The Committee feel that an urgent and pragmatic approach should be adopted for the Printing Presses on Indian Railways to determine what further action is required in this regard. At present, all the 11 printing presses are under the respective Zonal Railways and at the Railway Board level there is a cell headed by a Joint Director, who works under advisor (Stores). What is really surprising is that inspite of having 11 presses Railways have to go in for private presses to get their jobs completed. The Committee recommended that the Ministry of Railways should take appropriate steps for development, modernisation and rationalisation of printing presses and should chalk out appropriate plans and implement the same. The Committee, therefore, recommended that the possibility of one Indian Railway Printing press handling a particular item and specialising in it should be examined. Since the Operation Information System is first introduced on the Northern Railway the work relating to the railway computerised ticket printing should preferably be explored and organised at the Shakurbasti Press, Delhi. The contractual arrangements for procuring computerised tickets should be dispensed with and the entire ticket printing needs should be met with at the above press.
12.	67	4.15	The Committee find that the value of transactions of receipts and issues of books and forms depots was Rs. 24.20 crores and 20.93 crores respectively in 1990-91 as against Rs. 25.05 crores and Rs. 21.10 crores respectively in the previous year. The Ministry

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			of Railways owe an explanation to the Committee for this decrease in the value of transaction in 1990-91.
13.	75	5.13	With regard to coal, the Committee find that large scale pilferage takes place during transportation and from the yards. The present system of movement of coal by rail at 'owner's risk' should be stopped. Today large-scale pilferage from coal wagons is occuring because nobody is accountable for the difference between the coal loaded and delivered. The coal mafia thrives on pilferage of coal protected by the 'owner's risk' movement policy. The Committee, therefore, recommend that Indian Railways should take up the matter with Coal India Limited (CIL) and jointly chalk out modalities for introducing the clause of accountability for the difference in weight as recorded in the railway receipt (RR) issued by the booking officials at the pitheads and the actual weight delivered to the consignee. The Committee feel that either of the two organisations i.e. IR or CIL or both should be made responsible for the transit loss. This would require not only change in the century-old railway rule but also installation of computerised weighbridges. The Committee are aware that the movement of coal at the risk of Railway/CIL would cause additional financial burden in the sense that the consignees' claim for compensation would have to be made good, but this would put an end to pilferage. The Committee further recommend that Tribunals may be set up for early disposal of compensation cases.
14.	75	5.14	After going into the details of pilferage of coal and disposal of scrap, the Committee feel that the powers provided to the Railway Protection Force (RPF) is highly inadequate. The Committee recommended that proper enactment may be brought to provide adequate teeth to RPF to check pilferage and corruption in the Railway system. For this, the Railways should have dialogue with the respective State Police for proper coordination.
15.	76	5.15	The Committee find that coal-ash is sold by public auctions/tenders to individual parties as well as co-operative societies. The Ministry of Railways have stated that the interval of auction varies from 3 months to 1 year depending upon the quantity of accumulation. On account of progressive phasing out of steam traction, generation of coal-ash has come

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			down from 9 lakhs cum. in 1985-86 to about 5 lakhs cum. in 1989-90 and amount of Rs. 2.5 crores was realised from the same sale of ash in 1989-90. The Committee recommend that the Ministry of Railways should examine the possibility of utilisation of coal-ash as building material in its own construction works like house building, etc. and should also negotiate with cement factories for their utilisation as a raw material for producing cement.